

ETS

Vilnius prepares
for more falls

FINANCIAL TIMES

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FRIDAY SEPTEMBER 18 1998



FT Weekend tomorrow
Two bites at the apple:
Japanese and British
styles hit New York



Daimler and Chrysler
Is the deal sweet enough
for shareholders?
Page 21



Singapore
City state buffeted
from all sides
Page 8

Swedish elections
Stampede to
the centre parties
Page 2



WORLD NEWS

Madrid sceptical at Eta 'indefinite ceasefire' pledge

Spanish government and opposition leaders reacted warily to the announcement of an indefinite ceasefire by Eta, the Basque separatist group, questioning whether the organisation genuinely intended to end its 30-year armed campaign. The announcement came almost three months after its last car bomb, which killed a local politician. Page 14; Basques learn lessons, Page 3; Editorial Comment, Page 13

Star evidence agreement
In a rare sign of agreement between US Republicans and Democrats, members of the House judiciary committee indicated they would not publish more explicit accounts of the 18-month affair between President Bill Clinton and Monica Lewinsky. The decision emerged as the committee was preparing to release video tapes of Mr Clinton's evidence before a grand jury last month. Page 14; Page 4

FBI aids Polish police
The US Federal Bureau of Investigation has opened its stolen vehicle computer database to the Polish police to stem the tide of stolen cars through central and eastern Europe. Page 2

Mir station to be retired
The Russian Space Agency said it would retire the 12-year-old Mir space station next summer even if delays put off the launch of the first astronauts to the new International Space Station.

Seeking harmony on the net
Internet and telecommunications standards groups are pledging to collaborate in an effort to ensure that technical standards do not clash as the worlds of data and telephony converge. Page 7

Flight ban fuels tension
Malaysia has banned Singapore military and search-and-rescue aircraft from its air space, escalating tensions that have intensified in tandem with the region's financial crisis. Page 3

Clae to mine tragedy
Austrian economics minister Johann Lamel said unauthorised mining might have caused a cave-in at a mine in Lessing two months ago in which 10 men died.

Music boss to leave chair
Rob Dickins, one of the most influential figures in the music industry, is to leave his post as chairman of Warner Music (UK) when his contract expires at the end of next month. Page 9

New Alfa Romeo unveiled
Italian auto giant Fiat unveiled a new, top-of-the-line Alfa Romeo saloon which the company expects to be on sale in 60 countries by the end of October.

Palestinian minister to quit
Palestinian environment minister Yousef Abu Safiya said he was quitting his post because he had no real ministry to run.

Feuding Islamists held in Pakistan
Pakistan police arrested at least 200 people in a crackdown on rival Islamic groups engaged in a feud that has left scores dead.

Hong Kong unemployment up
Unemployment in Hong Kong hit a 15-year high of 5 per cent in the June-August quarter. Page 8

Slide blocks canal
A landslide closed the Corinth Canal west of Athens.

BUSINESS NEWS

Alcatel warns that operating profit less than expected

Alcatel, the French telecommunications group, touched off a firestorm among European industrial and telecommunications shares by warning that its 1998 operating profit would be below expectations. Page 15; Observer, Page 13; Lex, Page 14

Rupert Murdoch is poised to team with Telecom Italia
The privatised Italian telecommunications group, to bid £4.000bn (\$2.2bn) for a six-year pay television contract for broadcasting Italian football. Page 15

Bayer, the German chemical group, plans to sell up to 75 per cent of its Agfa film and graphic systems subsidiary to outside investors in what is likely to be one of Europe's biggest stock market listings next year. Page 15

Philippine Airlines, Asia's oldest airline, plans to close on September 28, becoming the first carrier in Asia to be grounded since the region's economic crisis began more than a year ago. Page 15

Five large US businesses have lost \$500m in Russia as a result of the financial crisis, according to a survey by the American Chamber of Commerce in Moscow. Page 2

Iberia, Spain's state-owned national carrier, and its main private-sector competitors have been accused of price-fixing in a government report to Madrid's competition tribunal. Page 3

Allianz, the German group which this year became Europe's largest insurance company, stuck to its forecast of a growth in net profit of at least 10 per cent for 1998, provided claims remained low and financial markets escaped other substantial falls. Page 18

Pirelli, the Italian tyres and cables group, reported a 7 per cent increase in first-half net profits, to £254bn and said it expected full year results to be "in line" with last year's £512bn net profit. Page 18

The future of the world's largest industrial merger will be decided today when shareholders of Daimler-Benz and Chrysler vote on whether to approve their companies' link-up at special meetings in Germany and the US. Page 20

Lego's owner warned the Danish government that the future of the family-owned International toy group is in doubt because of the country's inheritance tax regime. Page 13; Observer, Page 13

France Telecom reported a 15 per cent decline from FFr8.6bn (£1.6bn) to FFr7.6bn in first half profits and unveiled plans to build a so-called "European backbone" telecommunications network in a joint initiative with Deutsche Telekom. Page 20

Credit Lyonnais, the French bank due to be privatised next year after a state-backed rescue, is to conduct negotiations with Russian debtors on behalf of other French banks. Page 20

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 23

WORLD MARKETS

STOCK MARKET INDICES

	New York	London	Tokyo	Frankfurt
New York Comex	7894.37	(+105.41)	1049.03	(+102.26)
Barclays & Far East	1049.03	(+102.26)		
CAC40	3525.26	(-204.06)		
DAX	4699.51	(-188.49)		
FTSE 100	5132.9	(-158.02)		
Nikkei	13,059.74	(-338.04)		
US Largecap RATES				
Frontier Funds	55%			
3-mth Treasury Bill Yld	4.58%			
Long Bond Yield	10.45			
Yield	5.15%			
OTHER RATES				
US 3-mo Interbank	7%			
US 10 yr Crd	110.73	(115.81)		
Frontier Fund	108.88	(108.32)		
Germany 10 yr Bond	108.85	(108.18)		
Japan 10 yr GSB	115.52	(114.89)		
North Sea Oil (Argus)	\$13.44/T	(12.79)		
Brent Dated				

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DISAPPOINTMENT OVER OUTLOOK FOR US INTEREST RATES SENDS BOND PRICES UP

World equity markets slide again as investors rush to sell

By Philip Coogan and Khamz Merchant

World equity markets fell sharply yesterday, and bond prices rose, in response to disappointment at the outlook for US interest rates and worries about corporate earnings in the face of the emerging markets crisis.

Wednesday's Congressional testimony from Alan Greenspan, chairman of the US Federal Reserve, not only failed to hint at an imminent US interest rate cut but dismissed talk of co-ordinated reductions by the Group of Seven leading industrial nations. Investors remain worried that, without interest rate cuts, the crisis that has hit Asia, Russia and Latin America will provoke a recession in the developed economies.

Adding to investor concern yesterday was evidence that corporate profits were being badly hit by the world's economic problems. Those worries were heightened by a warning from Alcatel, the French telecommunications group, which dragged down other telecoms equipment and electronic stocks, while in the US analysts continued to downgrade earnings estimates for stocks such as Gillette, which are exposed to the international economic climate.

Asia started the equity sell-off yesterday, with Hong Kong falling 3.6 per cent and the Nikkei 225 average in Tokyo declining 2.4 per cent to a 12-year low. Europe kept up the bearish momentum, with the CAC 40 in Paris falling 5.5 per cent and the DAX in Frankfurt 5 per cent. In London, the FTSE 100 index fell 15.8 to 5,182.9, the fifth worst points fall since the index was set up at the start of 1984.

Wall Street headed lower from

the start yesterday, with the Dow Jones Industrial Average quickly dropping 300 points. By 1pm New York time, the Dow was 205.45 off at 7,884.33. Bond and equity prices normally rise together but recently they have parted company on fears of deflation.

In Japan, the long equity bear market has been accompanied by a big rise in bond prices. The yield on the 10-year Japanese government bond dropped to just 0.675 per cent yesterday.

The flight from equities into bonds forced yields down sharply across Europe. In the UK, the yield on the benchmark 10-year 1998 gilt fell to 5.0 per cent and the yield on the 7% per cent December 2007 bond fell to a low

of 4.97 per cent. Those were the lowest levels since 1987.

Benchmark German bund yields fell below the 4.0 per cent level to a post-war record low of 3.94 per cent, helped by a weaker-than-expected IFO survey of business confidence. Such historic lows on bond yields reflect the substantial fall in inflation expectations in the 1990s, and the flight to safety which has heightened the attractions of developed country government bonds.

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Banks' doubt big three, Page 6

Brazil's dilemma, Page 12

Come back Truman, Page 12

Japanese bank bail-out, Page 8

Bonds, Page 24

World stocks, Page 36

Russian debt exchange attacked

Western banks say terms could damage the country's relationship with creditors

By Clay Hart and Edward Luce in London and Arkady Ostrovsky in Moscow

had today been preparing to offer terms worth 4 cents on the dollar.

Western banks yesterday told the Russian government that its proposed terms for exchanging debt were "unacceptable" and would have a "seriously adverse effect" on the country's relationship with its creditors.

Russia, meanwhile, delayed by a week the announcement of terms for the exchange of GKOs and OFZs - short-term rouble-denominated government bonds - on which it defaulted last month and suggested it might be prepared to negotiate with the banks.

Banks indicated that Moscow

banks a preferential rate to redeem their frozen GKO holdings.

The banks asked Mr Primakov for a meeting in Moscow next week.

The banks' working party will be chaired by Deutsche Bank, with Credit Suisse First Boston and either Chase Manhattan or Citibank as joint deputies.

Alexander Shokhin, a senior minister, said in Moscow: "We believe it possible to begin negotiations with banks [with regard to frozen payments]... and we are urging those banks to refrain from seizing the assets of Russian banks abroad or freezing those assets."

The central bank's action this

week was "concrete evidence of preferential treatment for Russian banks," according to one

Ricard, to consider a flotation.

It issued three short-term bonds totalling Rba15m to Russian banks in exchange for their GKO holdings, but these holdings were valued at their August 14 price, several times the current grey market level.

No-Russian banks were not invited to participate and only discovered the operation when traders spotted a gap in the bond serial numbers issued by the central bank. The zero coupon bonds had a yield of 60 per cent.

Banks old world, Page 13

Banks' letter: www.FT.com

and proceed on a growth path."

Inflation is running at an annual rate of 1.6 per cent this year, compared to 1.7 per cent for 1997. The decline largely reflects a 0.2 per cent rise in the consumer price index for August, compared with July.

However, the trade deficit for goods and services worsened in July. Exports fell by \$1bn between June and July to \$75.4bn, held back by the effects of the Asian economic crisis. Imports also fell, by \$700m to \$28.3bn, due to lower oil prices.

The merchandise deficit rose by \$400m to \$20.9bn in July, while the services surplus - still the only good spot in the trade figures - increased by \$10m to \$7bn.

The reports spurred calls by trade groups for interest rate cuts, and the consumer price figures - slightly higher than some analysts had expected - added to financial market uncertainty about the direction of US monetary policy.

"While inflation continues to lie dormant, the global slowdown is putting the squeeze on manufacturers as exports fall for the fourth straight month," said Jerry Jasinski, president of the National Association of Manufacturers. "Adequate liquidity is imperative for the developing economies to regain their footing

No. 1 for Sun.

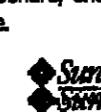
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WORLD NEWS

EUROPE

GERMAN POLL OPPOSITION SOCIAL DEMOCRATIC PARTY GIVEN UNEXPECTED CHANCE TO DIVERT ATTENTION FROM BAVARIA RESULT

Gaffes hit Kohl re-election campaign

By Ralph Atkins in Bonn

German chancellor Helmut Kohl's re-election campaign hit stormy waters yesterday when he was forced to repudiate a cabinet minister's comments on a possible tax increase and upset allies with remarks of his own on the country's bugging law.

The slip-ups give the opposition Social Democratic party an unexpected chance to divert attention from its poor showing in Sunday's Bavarian elections.

Claudia Nolte, the federal family minister, commented in a campaign debate earlier this week on a possible increase in value added tax after the September 27 elections. That allowed the SPD to deploy a classic election tactic - accusing the government of hiding planned tax increases.

Speaking in Dresden, Mr Kohl insisted that a VAT increase was not on the agenda. "Whatever foolishness you've heard, forget it," he said.

Portraying itself as a tax cutting party, the governing coalition in Bonn has pledged net tax cuts eventually worth DM30bn (\$16.5bn) if re-elected. But Ms Nolte had suggested that VAT would actually be increased to help fund tax cuts for lower income households.

The usually low-profile minister later said her comments were a "mistake made in the heat of the battle". But the government's difficulties were compounded by its initial confused response.

At first Mr Kohl refused to comment on tax plans, and suggested his cabinet ministers should do the same. Next, the government conceded that the basis for its election manifesto tax plans - legislation which was blocked by the Social Democrats in parliament last year - did include provision for financing direct tax cuts through higher indirect taxes which include VAT.

Subsequently, however, the government hardened its position, arguing that developments since last year and a better inflow of tax receipts had made any increase in VAT unnecessary.

"We are not planning an increase in VAT," insisted Thea Waigel, federal finance minister.

Separately, Mr Kohl created fresh tension within his coalition by calling for the removal of exemptions from legislation on bugging by security forces. The exemptions for doctors, lawyers and journalists were inserted after a parliamentary defeat for the government in March, when members of the Free Democrat party, junior members of Mr Kohl's government, staged a revolt.

Both slips threaten to undermine Mr Kohl's efforts to create fresh momentum in the days running up to the election.

Still behind in the polls, he received a boost last weekend from elections in Bavaria, where his sister party, the Christian Social Union, widened its margin over the SPD.

Russia admits default wrong

By Arkady Ostrovsky

The Russian government yesterday offered to re-negotiate its effective default on \$40bn of domestic debt, or GKO's, acknowledging that the decision which helped spark a banking collapse in the country was wrong.

The offer came as the central bank said it would print money to pay off state debts and to bail out domestic banks, further raising fears of hyper-inflation.

Andrei Kozlov, deputy chairman of the central bank, said banks from five Russian regions, including Moscow and St Petersburg, had been ordered to report the level of their debt to depositors. The central bank would then decide how much money needed to be printed, before redeeming that amount of the banks' foreign GKO holdings so that depositors could be paid.

Alexander Shokhin, a deputy prime minister who was unexpectedly brought to the briefing by three EU foreign ministers visiting Moscow, said Russia was ready to negotiate over the restructuring of its domestic debt and the obligations by Russian banks to foreign creditors.

The offer is a welcome sign of moderation from a government whose political colouring remains uncertain a week after it was formed. But despite the news that Russian banks would be compensated for their GKO losses, Mr Shokhin's statement will not have eliminated suspicion among foreign investors of government discrimination.

"We believe it is possible to begin negotiations with banks with regard to payments frozen by the central bank and the government, and we are urging those banks to refrain from seizing the assets of Russian banks abroad or freezing those assets," Mr Shokhin said.

He also admitted that the August decision to default had resulted in a confiscation of investment and that the form in which Russia tried to resolve its budget and financial problems did not conform to the existing norms of business practices.

But Mr Shokhin said this did not mean Russia would be able to redeem all its short-term debt. "At present, due to the grave financial situation, it would be difficult to meet all the obligations. But we are prepared to negotiate the rescheduling of the obligations of the Russian banks, the extension of appropriate roll-over facilities and moratoriums on the part of the creditors."

Survey charts losses by US business

By Arkady Ostrovsky
in Moscow

Fifty large US businesses have lost \$500m in Russia as a result of the financial crisis, as well as their confidence in the reform process, according to a survey released yesterday by the American Chamber of Commerce in Moscow.

According to the chamber's survey, 72 per cent of

US businesses which responded cannot access funds frozen in Russian banks and in the Russian treasury bill or GKO market, while 58 per cent of the companies have not been paid for their goods.

"We all feel we have been hit by a neutron bomb and we have all been irradiated, which means we are alive today but in 30, 60, 90 days some of us are going to die,"

said Scott Blacklin, president of the chamber.

Mr Blacklin said most of the companies had suffered from the devaluation of the rouble, the government's default on the short-term debt market and the collapse of the banking system.

He added consumer companies had been dealt a severe blow by the collapse of the distribution system and a sharp decline in the

spending power of Russian consumers.

The survey finds that 63 per cent of respondents with worldwide revenue of \$1bn saw a significant decline in demand for their products and services, while 40 per cent have been hit by the collapse of the distribution network.

However, all but 1 per cent of respondents say they are prepared to stay in Russia, although the majority of businesses admit they have had to slash their workforces by almost 30 per cent.

Mr Blacklin said the chamber was concerned by the signs of discrimination between Russian and foreign holders of GKO's. If the Russian government intended to keep investors in Russia, it would have to "open up the system" to a degree of scrutiny it had not been used to.

NIKOLA POPLASEN WEST DEVASTATED BY LIKELY ELECTION RESULT

Bosnian Serb 'victor' tones down rhetoric

By Guy Dimore in Belgrade

Nikola Poplasen, the ultra-nationalist Bosnian Serb leader on the verge of an election victory that has confounded the international community, is already toning down his rhetoric and speaking like a man ready to do business with his western adversaries.

Final results of last weekend's elections will not be known until next week, but officials privately concede Mr Poplasen has an apparently unassassable lead over the FT yesterday. "Above all, we have to keep the peace, political stability and the equality of peoples and entities, according to Dayton."

But he added, his party's ultimate goal of creating a Greater Serbia - that would unite Republica Srpska with Serbia and even parts of the Balkans beyond - had not changed, even though it might take half a century.

"Of course, wishes and reality differ to some extent and any politician should be led by reality. If he respects

only his wishes, he'll disappear from the political stage."

Mr Poplasen said he still regarded Radovan Karadzic, the former Bosnian Serb leader wanted for war crimes, as a hero.

Western officials took no heart from his remarks. The international community's vision of the post-Dayton Bosnia was of a single, ethnically integrated state that would not need a massive Nato presence to keep the peace. Mr Poplasen's future for Republika Srpska, diplomats say, is an ethnically pure territory that is a state in everything but name.

Mr Poplasen said he would not obstruct Moslems and Croats from returning to their former homes, but neither would he encourage them. Dayton, he said, also provided for the exchange and sale of properties to allow refugees of all ethnic groups to stay where they ended up.

Sources in the Organisation for Security and

Co-operation in Europe, which ran the elections, disclosed that in the vote for the 83-seat Bosnian Serb assembly no bloc had achieved an outright majority, as before. The Radical nationalist alliance was on course to win 36 seats, Mrs Plavsic's coalition 29 and the Moslems, voting through absentee ballots, 18.

Officials expected the Radicals to form a broader coalition with nationalist defectors from Mrs Plavsic's coalition and that the western-backed prime minister, Milorad Dodik, would go into opposition.

The one consolation for the west is it appears likely

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JULIO LISO

SPANISH AIRLINES THREE CARRIERS CHARGED AFTER FARE RISES

Iberia accused of ticket price-fixing

By Tom Burns in Madrid

Iberia, Spain's state-owned national carrier, and its two main private-sector competitors have been accused of price-fixing in a government report to Madrid's competition tribunal. They could be fined up to 10 per cent of their respective turnovers.

A spokesman for the tribunal said yesterday a ruling on the charges awaited resolution of a civil action on fraud allegations against the three airlines that have been separately initiated in the courts by consumer groups.

Under Spain's legal system, court actions take precedence over those of administrative bodies such as the competition tribunal.

The two proceedings, which relate to simultaneous fare increases in April last year by Iberia, Air Europa and Spanair that levelled the price of air tickets on all domestic routes, are the first competition-linked actions to affect Spain's airline industry.

ULSTER PARALLELS HISTORY OF CONTACTS WITH SNN FEIN

Basques learn from N.Ireland peace moves

By Jimmy Burns in London

Eta's announcement of a general ceasefire follows an intensification of contacts over the last year between the Basque guerrilla organisation's political wing, Herri Batasuna, and the representative wing of the Irish Republican Army.

Basque interest in the experience of the Northern Ireland peace process began to gather pace last year, with discreet meetings between Herri Batasuna members and British and Irish intermediaries who helped broker the IRA ceasefire in 1994 and 1997.

There have also been a number of direct meetings between Irish republicans and Batasuna sympathisers both in Northern Ireland and the Basque country over the last year, some less public than others.

The main lesson Eta appears to have drawn from the Northern Ireland experience is tactical. The IRA ceasefire has helped raise

their fares on the same day by between 10 and 30 per cent.

For Iberia, which posted pre-tax profits of Pta10bn (\$69m) on a turnover of Pta24.8bn for the five months of this year, the charges come at an embarrassing time. The state-owned airline is preparing for its privatisation and is simultaneously locked in a bitter dispute with its pilots, who have threatened strike action to press for a 19 per cent wage rise.

The privatisation involves acquisition of about 10 per cent of Iberia's equity by British Airways and American Airlines; the purchase of a further 30 per cent by domestic institutions and a stock market flotation that is provisionally scheduled for the first half of next year.

The disposal still waiting for final agreement with BA and the US airline, the two strategic allies chosen by Iberia to bolster its international business.

CAR SALES MARKET MAY FALTER IN SEPTEMBER

Financial crises fail to stop August growth

By John Griffiths

Fears of global recession caused by "contagion" from the Asian and Russian financial crises have yet to have a serious impact on western Europe's buoyant new car market.

Registration statistics for August continue to show growth over 1997, although manufacturers are braced for a possible faltering of sales in September.

Figures from the European Automobile Manufacturers' Association (ACEA) do show a slackening of the pace of market growth in August, to 2.6 per cent compared with the same month a year earlier.

However, this was accounted for almost entirely by an 11.4 per cent fall in Italy caused by the end of government purchase incentives, and a 3.8 per cent drop in the UK, where the August sales "bulge" caused by the introduction of a new registration letter, did not meet industry expectations.

The German market rose by 5.6 per cent year on year in August and the French by 18.2 per cent; however, the latter also reflected market distortions from incentive programmes.

The year-on-year rise for July was 8 per cent. (ACEA publishes the July and August figures simultaneously.) Registrations for the first eight months of the year, at 10,010,435, were 6.3 per cent higher than in year ago.

Within the total, manufacturers' and importers' fortunes varied widely in August.

Korean manufacturers achieved a 26.1 per cent year-on-year rise in the month, reflecting a continuing export drive to compen-

West European new car registrations January-August 1998

	Value (Units)	Value Change (%)	Share (%) Jan-Aug 98	Share (%) Jan-Aug 97
TOTAL MARKET	10,010,435	+6.3	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,755,456	+8.2	17.5	17.8
- Volkswagen	1,024,195	+5.0	10.5	10.7
- Audi	338,855	+5.7	3.4	3.4
- Seat	257,954	+14.7	2.6	2.4
- Skoda	104,452	+42.3	1.0	0.8
Fiat group ^a	1,138,184	+2.7	11.4	11.9
- Fiat	885,951	+2.2	8.0	9.7
- Lancia	120,000	+2.2	1.3	1.3
- Alfa Romeo	128,421	+45.3	1.2	0.9
PSA Peugeot Citroen	1,153,387	+7.9	11.3	11.2
- Peugeot	645,545	+5.7	6.4	6.5
- Citroen	467,882	+10.9	4.9	4.7
General Motors	1,122,893	-1.2	11.2	12.1
- Opel/Vauxhall	1,064,445	+2.4	10.8	11.7
- Saab ^b	51,480	+40.3	0.5	0.4
Ford group ^c	1,081,307	+0.3	10.5	11.2
- Ford	1,054,949	+30.7	10.5	11.2
- Jaguar	105,540	+16.3	1.0	0.9
Renault	581,805	+18.7	5.8	6.3
BMW group ^d	305,882	-1.1	3.1	3.3
Rover	275,923	-0.3	2.8	3.0
Mercedes-Benz	419,533	+24.2	4.2	3.6
Volvo	162,337	+6.2	1.6	1.6
Toyota	306,114	+18.5	3.0	3.1
Nissan	303,586	+5.1	3.0	3.1
Honda	160,987	+5.5	1.6	1.6
Mazda	146,112	+10.5	1.5	1.4
Mitsubishi	127,493	+4.5	1.3	1.3
Total Japanese	1,205,574	+10.7	12.0	11.6
Total Korean	252,145	+33.2	2.6	2.3

^a VW holds 70 per cent and management control of Fiat.
^b GM holds 50 per cent and management control of Saab Automobile.
^c Ford group includes Land Rover, Alfa Romeo, Innocenti, Ford and Mercury.
^d Source: ACEA (European Automobile Manufacturers' Association) estimates. Figures are rounded.

on-year rise in August to a market share of 10.2 per cent.

Volkswagen group was the only other European volume producer to make a significant gain, of 7.6 per cent to a market-leading share of 16.5 per cent.

General Motors, Peugeot group, Ford and BMW, including Rover, all lost ground.

EUROPE

Eta ceasefire a challenge to the Aznar government

The truce comes at a time when there is no consensus in Spain on how to deal with Basque separatism, writes David White

Despite official caution and widespread scepticism, the unilateral truce announced by the armed separatist organisation Eta is the nearest thing to a breakthrough in Spain's violent Basque conflict for nearly a decade.

Eta's announcement of a "general ceasefire" starting today, five weeks away from Basque regional elections, is the first time it has halted attacks for an indefinite period since it began its bombing and shooting campaign 30 years ago.

Its move is seen partly as a result of clampdowns by Spanish and French police against the organisation itself, and by Spanish courts against its political wing, whose entire leadership was sent to jail last December. But it is also significantly influenced by the example of Northern Ireland's peace process, which has raised expectations among Basque nationalists about the possibility of a political outcome.

When the Northern Ireland agreement was concluded in April, Eta said it was "ready to learn" but went on to commit three more murders in May and June. It has not attacked since then.

Its communiqué, sent in the Basque language to two newspapers, announced an "unlimited suspension of armed actions" - similar to the ceasefires which the IRA called in 1994 and again, after breaking that one, in 1997.

Its previous truce offers were for fixed periods and



A masked youth at an Eta demonstration earlier this year

itself if it did not get a response of the same magnitude". Eta made it clear it would keep up its "usual functions of supply, maintenance and recruitment".

The Eta move was significantly influenced by the example of Northern Ireland's peace process

ing up for weeks about a truce, regarded by many as a pre-election gambit. In the last Basque election four years ago there was no official ceasefire but Eta held off from terrorist attacks during the campaign to help its political wing, Herri Batasuna (HB), which won 16 per cent of the vote.

The ceasefire announcement was the fruit of talks which the Basque Nationalist party (PNV), the region's leading political force, held through the summer with HB's new leadership. The PNV has insisted on keeping lines open with HB, at the cost of a rift in June with the Socialists, its long-time coalition partners in the Basque government.

PNV leaders have suggested the centre-right Madrid government of preferring to tolerate a certain level of violence rather than risk a combined front of nationalist parties coming to power in the Basque country.

The ground was laid for the ceasefire by weekend declaration by Basque and Communist parties proposing open-ended talks. Unlike an earlier PNV attempt to launch a peace process involving all parties, the declaration did not rule out participation by Eta itself and accepted that a definitive ceasefire might not come until the end of the talks.

Endorsed by the PNV-led Basque government, it foresees discussions extending to the issues of self-determination, independence and Spain's 1978 constitution.

But the constitution is something neither of Spain's main parties wants to tamper with, fearing they could be opening a Pandora's box.

Rumours had been build-

taining structures and the right to defend itself in any confrontation". Eta is reckoning to have only a few dozen front-line members based in Spain, mainly around San Sebastian, but has more reserves living in France. About 300 members are in jail.

The organisation showed

no sign of lowering its aims, rejecting the "autonomy path" as a failure and seeking to "break bonds with Paris and Madrid" and form an independent Basque country including the current Spanish Basque region, neighbouring Navarre and the contiguous area of France. It called for an end to current parties and "institutional and repressive structures."

Rumours had been building

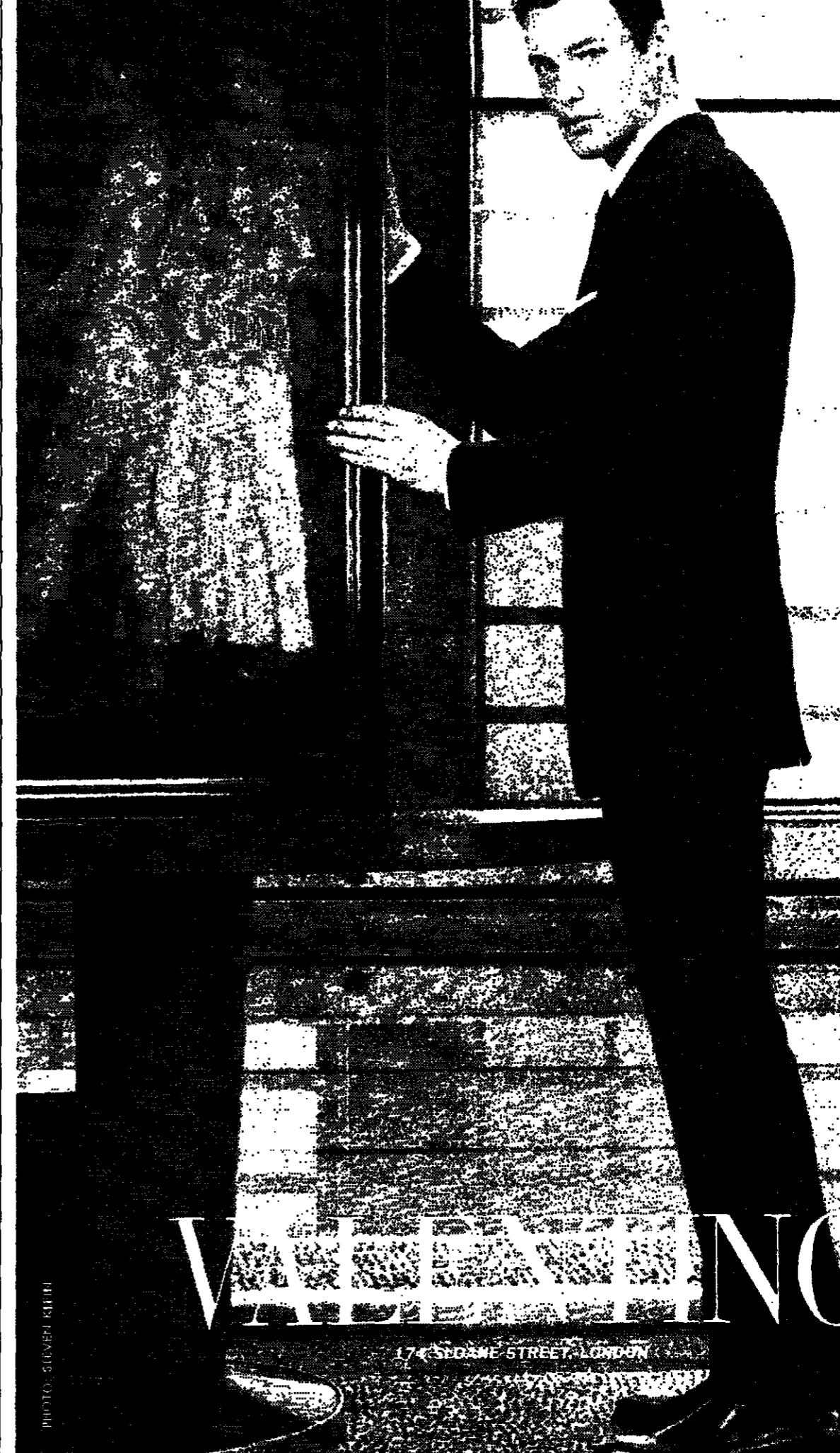


PHOTO: STEPHEN LAWRENCE

THE AMERICAS

Setback for Microsoft on new evidence

By Louise Kehoe
in San Francisco

Microsoft yesterday lost its bid to exclude definitively new evidence of alleged anti-competitive activities in advance of its landmark antitrust trial on charges filed by the US Justice Department and 20 states.

However, US District Judge Thomas Penfield Jackson said he would rule on what evidence the government may present against the software company on a point-by-point basis during the trial, now scheduled to begin on October 15.

The government has alleged that Microsoft has used illegal anticompetitive tactics to maintain its monopoly position in the world market for personal computer operating system software. Microsoft's Windows is installed on more than 90 per cent of new PCs.

The original case, filed in October, focused on allegations that Microsoft had also attempted to extend its Windows monopoly to the market for internet browsers.

However, earlier this month, the government introduced new allegations that Microsoft had attempted to use bully tactics against industry rivals including Intel, Apple Computer, Real Networks and several others to dissuade them from competing with it.

Yesterday, during a short court hearing in Washington, the judge refused to

bear details of how the government planned to use this new evidence, and acknowledged that Microsoft lawyers "may be right" in their assertions that such evidence was not germane.

But the judge made clear that he would not make a pre-trial ruling on the issue. "I'm not prepared to say at this point I won't hear evidence," the judge said.

Government lawyers argued that evidence of these incidents supported their charge that Microsoft had used illegal tactics to maintain and extend its monopoly.

However, Microsoft argued that the government was attempting to broaden its case at the eleventh hour with "extraneous" issues.

The company also claimed it would not have time adequately to prepare to address the new issues. "We've got a limited amount of time left. We've got a lot of work to do and it would be easier for everybody if we don't have to chase down what turn out to be ghosts," said John Warden, Microsoft's lawyer.

Microsoft said that if the judge agrees, during the trial, to allow the government to present new evidence, "the schedule for trial and the procedure to be observed should be adjusted to reflect this profound change in the nature of the case." The company said it would "reserve the right to seek additional time" during the trial.

THAT VIDEO TAPE POLITICAL ROW ABOUT FAIRNESS THREATENS TO OBSCURE THE UNDERLYING ISSUES OF THE LAW

Violation of rights or part of record?

By Richard Wolff
in Washington

The question of whether to release President Bill Clinton's video-taped evidence in the Monica Lewinsky investigation has given rise to a fierce political debate about fairness in any possible impeachment process.

Democrats claim the idea of publicly releasing the tape is part of a strategy to embarrass both the president and the party, with the prospect of their Republican opponents broadcasting excerpts in political advertisements in congressional elections in November.

But Republicans argue that the tapes are a vital piece of evidence in assessing the perjury claims set out in the Starr report. Mr Clinton is accused of lying under oath before the grand jury last month, as well as in his deposition in the Paula Jones sexual harassment case in January.

The political clash appears to ignore the supposedly secret nature of grand jury evidence. Grand juries are designed to assess whether there are grounds for proceeding with serious criminal charges, and their workings are meant to be confidential. Legal experts have raised fears that the release of the tapes is another step undermining the role of grand juries in the US legal process.

But the reality is that grand juries have declined in importance to the point where they are widely seen as mere rubber-stamps of a prosecutor's arguments.

Moreover, their evidence - although heard in secret - is often released by courts for

use in related civil lawsuits.

Secrecy is moreover a grey issue in the uniquely public procedure of impeachment. Under the US constitution, the House of Representatives acts first as a jury, deciding on whether charges should be pressed against the president. Then members of the House act as prosecutors and defence lawyers in a trial before the Senate.

This broad role - as both the court and leading players in the process of impeachment - means that Congress has an enormous amount of freedom to shape how it deals with the evidence of the case. Moreover, the independent counsel law - which governs Kenneth Starr - confirms the supreme role of Congress.

Secrecy is a grey issue in uniquely public procedure of impeachment



Clinton speaks through interpreter to Czech first lady Dagmar Havlova at a state dinner

temptation to change those things.

"Unless the president - the witness in the grand jury - waives their constitutional rights to secrecy, I do not think his testimony should be made public."

But the White House has shown little interest in challenging the release of the tapes, and Mr Clinton admits he expected the tapes to become public.

For Mr Klughett, who was a special counsel to the US senate in the impeachment trial of Judge Alcee Hastings in 1989, that reluctance suggests there was a deal struck between the White House lawyers and Mr Starr. "You do not normally have a video tape of testimony - it could have been accomplished by a simple video transmission," he said. "You have to wonder why would a prosecutor want a video tape, if not ultimately to make it public."

Other legal experts question Mr Starr's intentions during the course of his investigation in a series of leaks to the press. Francis Boyle, professor at the University of Illinois College of Law, said: "The Starr strategy has been to violate the secrecy of the grand jury from the beginning, to illegally and unethically release evidence to the public," he said.

"We have seen politics played by Mr Starr in the grand jury and that raises the basic question of the whole fairness of the proceedings. But once the report is in the hands of Congress, I think the people do have a right to know. If the sanctity of the grand jury was violated, it was by Mr Starr," said Prof Boyle.

for the House was raised by Mr Starr himself, when he delivered his report to Congress. In an adjoining letter, Mr Starr said there was confidential material which needed to be edited to protect innocent individuals.

The work to edit the additional material must be completed by September 28.

For Republicans, the video tapes are merely part of the public work of Congress, even in criminal proceedings. Christopher Cox, a representative of California and former White House counsel to President Ronald Reagan, said the precedent for releasing

the Clinton tapes came in the Iran-Contra affair.

When Admiral [John] Poindexter, who had served President Reagan as his national security adviser, went on trial in connection with the Iran-Contra affair, President Reagan gave eight hours of video-taped deposition testimony. That testimony was released simultaneously to all of the networks as it was introduced in that criminal proceeding in court," he said.

He added: "One of the most serious allegations in the Starr report is that the president of the US committed perjury in his testimony just a month ago before the grand jury. In order to judge whether he was telling the truth before the grand jury, it is important for us to examine the record."

However, Democrats argue that Republicans are riding roughshod over the grand jury process. Charles Rangel, representative from New York, said: "For one believe that far more important than President Clinton's feelings or political predilection is to try to protect those institutions that allowed this Republic to survive for 200 years, not notwithstanding our

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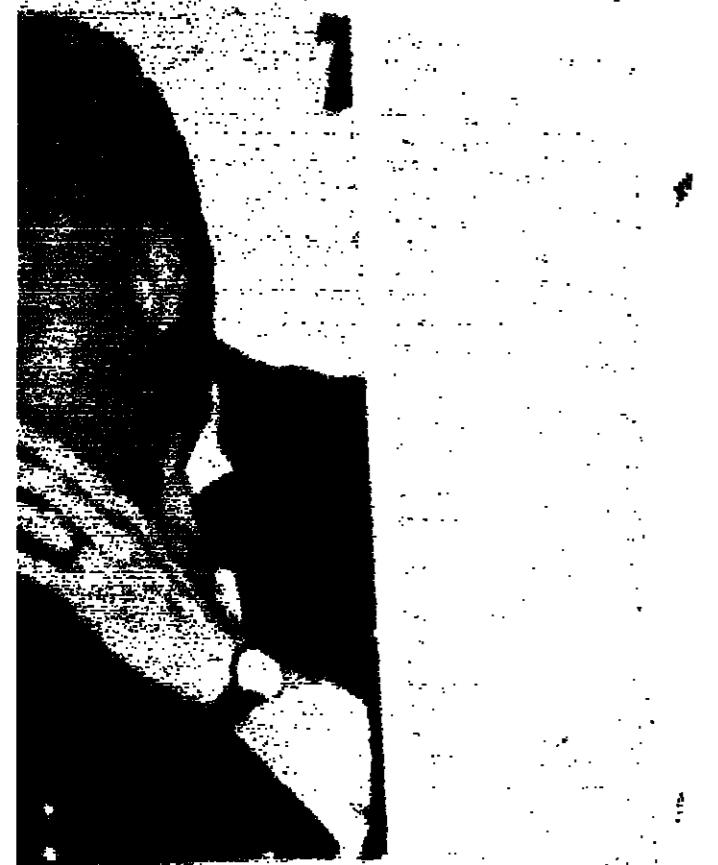
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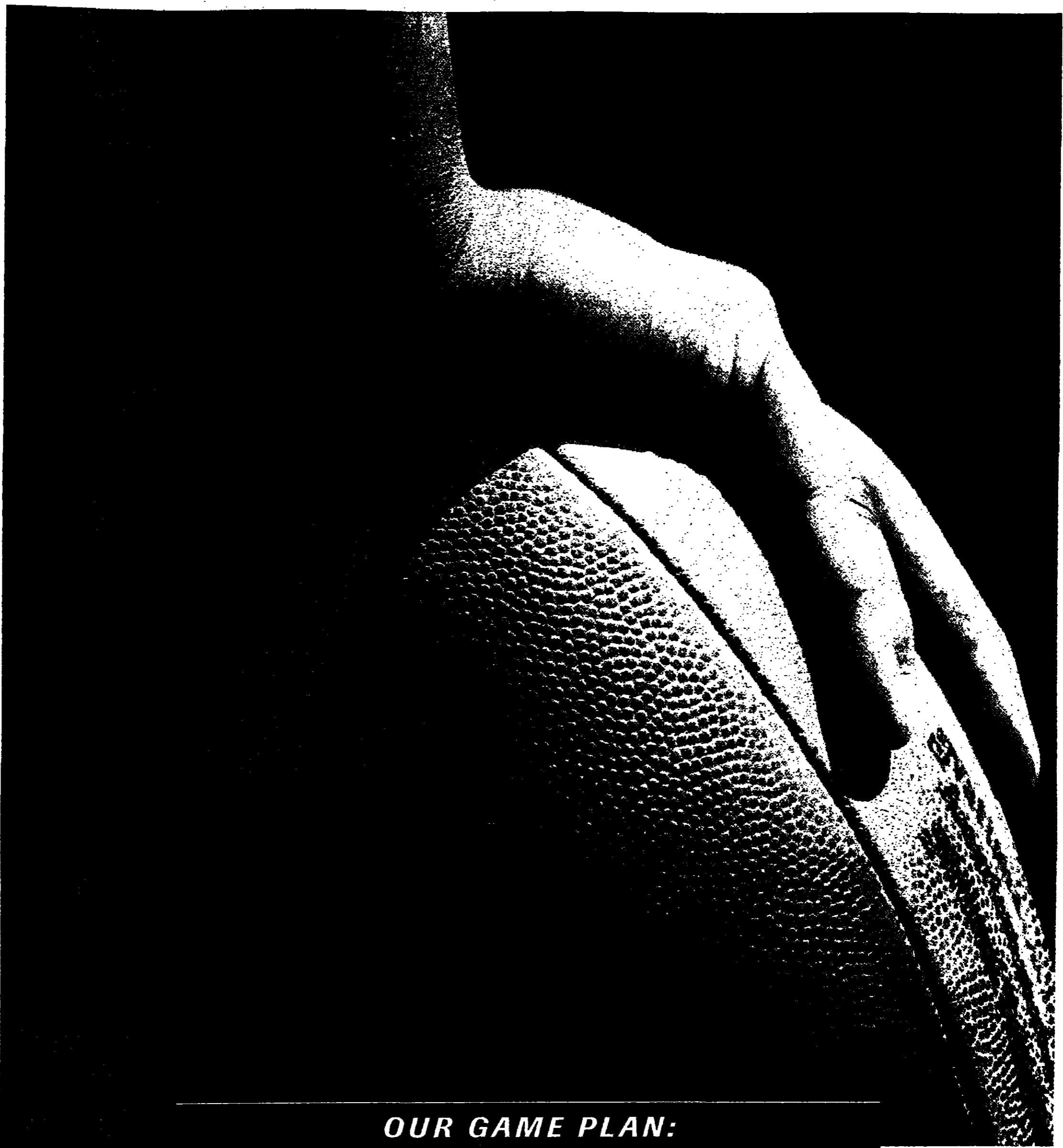
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THE WORLD ECONOMY BANKERS QUESTION ABILITY OF BIG THREE NATIONS TO ACT TOGETHER

Doubts surround hope of co-ordinated action

By Stephen Fidler
in Washington

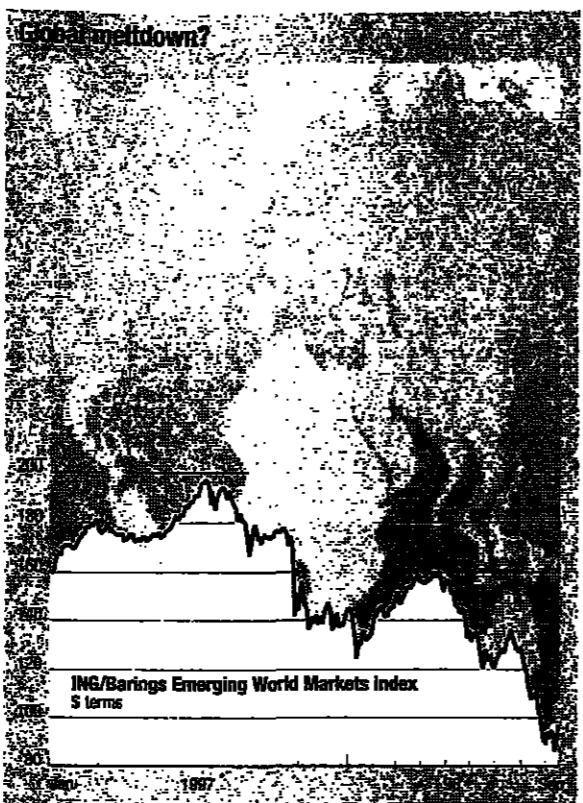
Finance ministers and central bank chiefs in the industrialised world signalled on Monday that they had woken up to the dangers to their own economic stability by the turbulence in world financial markets.

But statements since then from some of the signatories – coupled with differences in viewpoints and economic priorities among its member governments – have raised questions about their willingness at this stage to act in concert to prevent the crisis from spreading further.

The statement from the Group of Seven acknowledged that “the balance of risks in the world economy had shifted” – away from inflation and towards a slowing of growth, and was accompanied by a strong speech from President Bill Clinton in New York, outlining the depth of US concern about financial turbulence.

The G7 governments “emphasised their commitment to preserve or create conditions for sustainable domestic growth and financial stability in their own economies. In this context, they noted the importance of close co-operation among them at this juncture”.

This was taken as a hint that central banks would



stand ready to respond with interest rate reductions to stave off further turmoil. Yet, since then, some of the officials in whose name the statement was issued have indicated that they think differently. On Wednesday, Alan Greenspan, chairman

of the US Federal Reserve Board, gave no hint that he was yet ready to cut rates. Hans Tietmeyer, the Bundesbank president, said on Tuesday: “It is wrong to see the statement as a signal for global relaxation of monetary policy.”

Mr Tietmeyer’s view was implied in the G7 communiqué, which pointed to “some encouraging developments as regards domestic demand growth in continental Europe”.

This suggests that Germany, in the apparent early stages of its growth cycle, believes it has little room to cut rates. Moreover, with central bankers trying to establish their anti-inflation credentials going into monetary union, they may prefer, even more than usual, to err on the side of caution.

Given that Japan’s interest rates are near zero anyway and Canada’s currency weakness gives it little room for manoeuvre, any talk of co-ordinated interest rate cuts is therefore limited to the US and the UK. So was the statement anything more than an expression of wishful thinking and does the talk of close co-operation meanlessness?

Michel Camdessus, managing director of the International Monetary Fund, said: “Co-ordination of macroeconomic policies across the world is not cutting interest rates in a kind of across-the-board or uniform way. You will never have that, particularly when the United States is at the end of its expanding cycle while Europe is starting it.” He said however, that there was

room for other European economies to lower interest rates towards German levels and also large scope for the continent’s finance ministers to contribute by lowering budget deficits.

Beyond this, however, important differences have opened up within G7 governments about how the crisis has been handled so far – and how to deal with it moving forward. This includes a questioning by both Japan and Germany of the economic model that has been promoted by the US Treasury and the IMF since the end of the cold war.

Japanese officials, whose plan to create a big Asian-style IMF was rebuffed last year by the US, also believe the IMF mishandled the Asian financial crises.

Some German officials, meanwhile, blame the US and the IMF for getting Russia wrong, in particular for emphasising the opening of capital markets – in which US financial institutions have been very heavy speculators – while ignoring for too long an underdeveloped banking system. Moreover, they doubt the efficacy of global interest rates cuts in reducing the spread of financial contagion to Brazil, whose problem they view as essentially an excessive fiscal deficit.

They also remain concerned about “moral hazard”. In other remarks by Mr Tietmeyer this week, less reported, he said big speculators should not be bailed out by more conservative investors. Meanwhile, comments by Stanley Fischer, the IMF’s deputy managing director, published in a German newspaper following an interview he apparently believed was off the record, have not enamoured the institution to the Kohl government. He suggested the election considerations of the Kohl government were one factor in its decision not to push in more funds to Russia ahead of its devaluation last month.

Beyond these differences of approach, the forthcoming election in Germany, Mr Clinton’s domestic problems – which means he will find it hard to persuade Congress of the need for bilateral US financial support for Latin America, for example – and Japan’s own economic and political weaknesses are also raising questions about the ability of the three leading economies to act – even if they agree what to do.

This has left a role for Britain in trying to help the US Treasury galvanise a co-ordinated approach among governments that are not yet unified in their view of the cause, solution and seriousness of the crisis.

Lack of maps for Middle East road to peace

By Judy Dempsey in Jerusalem

When Dennis Ross, US Middle East envoy, met Palestinian negotiators over the past two weeks, they asked: “Where are the maps?”

The maps are supposed to show from which part of the West Bank Israel will withdraw under the 1995 Israeli-Palestinian Interim Agreement. And since the amount of land in question is 13 per cent, western diplomats remain baffled as to why Israel will not present any maps.

The Palestinians have accepted a US proposal, drawn up last February to

break the 18-month deadlock in the Israeli-Palestinian negotiations. It envisages Israel handing over 13 per cent of land, well below Palestinian original expectations of 30 per cent and above Israel’s earlier 6 per cent offer. Madeline Albright, US secretary of state, believed it could help restart negotiations.

Instead, Benjamin Netanyahu, Israeli prime minister, whose advisers claim is now willing to accept the US plan, has introduced so many “ifs” as to make the Palestinians wonder if they will reach agreement on the second Israeli pullback by

May 4 next year. That is without success, to nail down this week. No definition of a safe passage between the West Bank and Gaza and its security implications was reached. Israel rejected a memorandum of understanding drawn up by the CIA last December to monitor how both sides would fight terrorism. Meanwhile, wrangling over operating an airport and sea port in Gaza continued.

A detailed package was on the table, exactly what the US plan is about,” said a senior Palestinian. “Everything is linked. We would refuse to accept an airport tomorrow because we do not trust Netanyahu to then go ahead with the redeployment.” Israel says it refuses to go ahead with the pull-back because it does not trust the Palestinians to fight terrorism.

But because the US package is tied to a redeployment agreement, diplomats say Mr Netanyahu is reluctant to sign up. Until now, he has managed to break down the Oslo accords, isolating the issues from each other in a bid to renegotiate them out of the context of Oslo. This is how he negotiated the troop withdrawal from Hebron in January 1997. Relatively, the US plan is an attempt to put Oslo back on track with the aim of reaching some agreement before next May.

The Palestinians say they want the plan wrapped up before May. If there is progress on land, the ports, the corridor, it could lead to final status talks. In turn, Mr Arafat might decide from declaring a state while negotiations continue.

But what does Mr Netanyahu want? He said on television this week he would cancel the Oslo accords if Mr Arafat declared a state next May – “a very high risk strategy,” says a close aide.

NEWS DIGEST

US OPINION

American public warms to the United Nations

Most Americans give the UN its highest approval rating since 1980 and believe that the world body is “very important” for US interests, according to a survey released yesterday. The poll showed that 72 per cent viewed the UN as “very important for American engagement”, an increase of 54 per cent over three years ago, and that 60 per cent said the UN was doing a “good job”, up from 49 per cent.

The survey comes with the US in danger of losing its vote in the General Assembly unless Congress approves the payment of its outstanding dues to the UN. The results show that Americans by a three-to-one margin favour paying \$1.6bn in dues. Laura Silber, New York

AFRICA'S FRANC ZONE

Asia crisis cuts growth outlook

The Asian crisis is expected to cut growth prospects among the 15 west and central African countries belonging to the franc zone by 0.5 per cent this year, according to the annual report of the zone’s monetary committee.

The report says the worst affected sectors would be limited because of the small degree of trade with Asia. As a result 1998 growth is expected to hold at an average of 5 per cent. This compares with last year’s 6 per cent for west African countries and 4.7 per cent for the central African nations in the zone. The 1997 performance was the third consecutive year in which growth outstripped the rest of sub-Saharan Africa. But the report warns higher growth rates will require more long-term investment. Growth benefited from low interest rates and inflation varying from 3.5 per cent to 5 per cent among the 15. The franc link will be replaced by the euro when full European monetary union begins in 2002 and the report says this should help franc zone exports. Robert Graham, Paris

IRAN-AFGHAN CRISIS

Albright to join talks

Madeleine Albright, US secretary of state, will meet Kamal Kharazai, Iran’s foreign minister, next week for the highest level contact between the two countries since immediately after Iran’s Islamic revolution and the seizure of the US embassy in Tehran in 1979, US officials confirmed yesterday. The meeting will be part of an eight-nation discussion aimed at pushing a diplomatic solution to the worsening crisis between Iran and Afghanistan. It will follow an address by Mohammed Khatami, Iran’s reformist president, to the UN General Assembly early next week.

The group hopes to head off threats of a military confrontation between Iran and Afghanistan’s Taliban militia. Mullah Mohammed Omar, the Taliban leader, yesterday threatened Iran with a “war which will last 20 years” if Iran took military action in response to the Taliban killing of Iranian diplomats and Shia Moslems in Afghanistan.

Sartaj Aziz, Pakistani foreign minister, flew to Tehran yesterday in an effort to ease the growing strain on Iranian-Pakistani relations caused by Pakistan’s continued support for the Taliban. Mark Huband, Tehran and Farhan Bokhari, Islamabad

BAYER ON MID-YEAR FINANCIAL RESULTS



Dr. Manfred Schneider,
Chairman and CEO
of Bayer AG

We aim to continue
expanding our position
in the global market.

To maintain our success in the years ahead, Bayer continues to build on its potential, investing more than DM 9 billion in research and fixed assets in 1998 alone. For this year, we have set our sights on improving last year’s sales and earnings figures once again. And the positive results of the first six months show that we are on the right track. Sales increased by 3.5% to DM 28.4 billion, while our operating result rose four percentage points to DM 3.1 billion. How we aim to go on growing: Boost productivity even further, continue improving our portfolio, expand our international market presence and channel our innovative energies into products, processes and solutions that just go on getting better. If you would like to know more, write to Bayer AG, Corporate Communications (CI), 51368 Leverkusen, Germany, or visit our website at <http://www.bayer.com>



EXPERTISE WITH RESPONSIBILITY

Group Sales, First Half, DM million

	'97	'98
29,000		
28,000		28,387
27,000		27,418
26,000		

Operating Result, First Half, DM million

	'97	'98
3,000	2,959	3,065
2,000		
1,000		
0		

ON

US OPINION

American public warms to the United Nations

AFRICA & MIDDLE EAST

Asia crisis cuts growth outline

ACE

Albright to join talks

Inue
position
al market.

Internet and phone experts seek harmony

By Louise Kubo
in San Francisco

Internet and telecommunications standards groups are pledging to collaborate in an effort to ensure that technical standards do not clash as the worlds of data and telephony converge.

The technologists also hope that by presenting a united front they will be better able to ensure that technical standards for the internet do not become a political football in the international trade arena.

The Internet Society's Internet Engineering Task Force (IETF), which agrees new technical standards for the internet, has agreed to collaborate with the International Telecommunication Union, a Geneva-based organisation that is the recognised standards body for the telecommunications industry.

The groups plan to share the role of determining technical standards for new services on the internet. Their agreement grew out of a recently completed joint effort to set standards for sending facsimile messages over the internet.

The agreement bridges the hitherto separate worlds of telephony and computer communications. "With the rapid convergence of technologies in the telecommunications world, it is vital that organisations involved in these technologies develop productive ways of working together," said Scott Bradner, Internet Society vice president of standards.

The move could also help to bolster the internet group's status among international standards-setting bodies. The IETF has felt under siege by various government-backed standards groups, all seeking a role in the internet standards process, said Mr Bradner.

With national governments, international political and economic groups, as well as businesses, now taking a close interest in the internet and electronic commerce, some technologists fear that the establishment of new internet standards

could become bogged down by political and international trade issues.

In particular, the technologists are determined to preserve their consensus-building approach, which involves technologists from around the world debating technical issues via electronic mail and bulletin boards. This avoids the bureaucratic processes that often delay new standards in other technology sectors.

This may be crucial, because there is a widely held belief among leading US computer and software companies that traditional standards-setting organisations are too ponderous to keep pace with rapid developments in internet technology.

Rather than wait for standards groups to act, the US computer industry frequently adopts *de facto* standards long in advance of *de jure* standards which hold greater sway in Europe.

Avoiding such a split, which is frequently accompanied by suspicions that the standards-setting process is used to create trade barriers, may be vital to the future of electronic commerce.

• Frederick Stidemann adds from Berlin: Information technology industry groups yesterday urged governments not to over-regulate electronic commerce and risk stifling a nascent business sector.

At a conference of international IT associations in Berlin, delegates agreed a framework document calling for a simple, globally harmonised legal framework for electronic commerce.

To bolster the security of transactions and promote customer trust, delegates said the use of strong cryptographic technology should be unrestricted.

They also said electronic commerce should be treated as a normal commercial activity and not subject to any additional taxation. The recommendations, which place the emphasis for ensuring encryption and data protection on industry and not governments, will be presented to next month's OECD Ottawa conference on electronic commerce.

Lufthansa places \$2.3bn orders

By Graham Bowley in Munich

Lufthansa, Germany's highly profitable airline, yesterday announced orders worth \$2.3bn for 42 aircraft from Airbus, McDonnell Douglas and Bombardier.

Airbus will supply 10 long-haul A340-300 planes and six A321-200 carriers for short and medium hauls.

Lufthansa has been a long-standing customer for both aircraft manufacturers and its passenger airline fleet is split equally between the two types of planes. Lufthansa said yesterday it was still Airbus' biggest airline customer.

Bombardier, the Canadian manufacturer, will supply Lufthansa's regional fleet with 10 50-seater Canadair Jet CRJ100's and 10 new 68-seater Variants CRJ700's.

McDonnell Douglas, which is part of the Boeing empire in the US, will supply six MD11F planes to Lufthansa's cargo division.

Airbus is a consortium owned by Daimler-Benz Aerospace (Dasa) of Germany and Aerospatiale of France, each of which owns 37.9 per cent. British Aerospace, which has a 30 per cent stake, and Casa de Spain, which has 4.2 per cent.

Lufthansa has 309 aircraft in its total fleet, including 210 passenger planes.

Separately, Lufthansa's supervisory board yesterday said the airline would invest around DM525m (\$287m) to help build and operate a second terminal at Munich airport. It would take a 40 per cent stake in a joint venture with the publicly-owned Munich Airport Authority.

Lufthansa is growing rapidly, helped by expansion of its international flights via the Star Alliance. But it is also tightening its grip on the domestic market where it makes a loss and faces stiff competition from rivals such as British Airways.

China warns on cotton duties

By James Kyng in Beijing

China accused the European Commission yesterday of protectionism over its proposals to consider anti-dumping duties on unbleached cotton imports, and warned of a "very strong" response if duties were imposed.

The EU's executive was thought likely to produce new anti-dumping duty proposals against five developing countries, including China, after its attempt to impose five-year duties was defeated this week in a vote by the EU's 15 member states.

China is stepping up its lobbying efforts before a final vote by ministers on the issue by October 9.

Zhang Yuqing, director general of the department of treaty and law at the ministry of foreign trade and economic co-operation, said the EU should take into account the contribution China was making to Asia's economic stability by not devaluing its currency.

China's textile industry has been hit by Asia's crisis as competitors in other countries have benefited from currency depreciations. Textile officials expect no growth in exports this year, after a 22 per cent increase last year. Mr Zhang said that the Commission's proposals were irrational because the price of Chinese unbleached cotton exports to Europe had increased by 18 per cent over the last two years.

"We believe this is 100 per cent trade protectionism by the EU, motivated by some member states," said Mr Zhang. He noted that the UK, Germany and other countries opposed the anti-dumping duties, but that France, Italy, Greece, Spain and Portugal supported them.

"The 1930 depression was caused by protectionism," he added.

WORLD TRADE

SHIPPING LINES STRUGGLE TO IMPROVE REVENUES AS ASIAN TRADE TURBULENCE GROWS

Fines compound operators' sea of troubles

By Charles Batchelor,
Transport Correspondent

The record fines imposed this week on 15 shipping lines for price-fixing abuses could not have come at a worse time for an industry attempting to cope with turbulence in its Asian business.

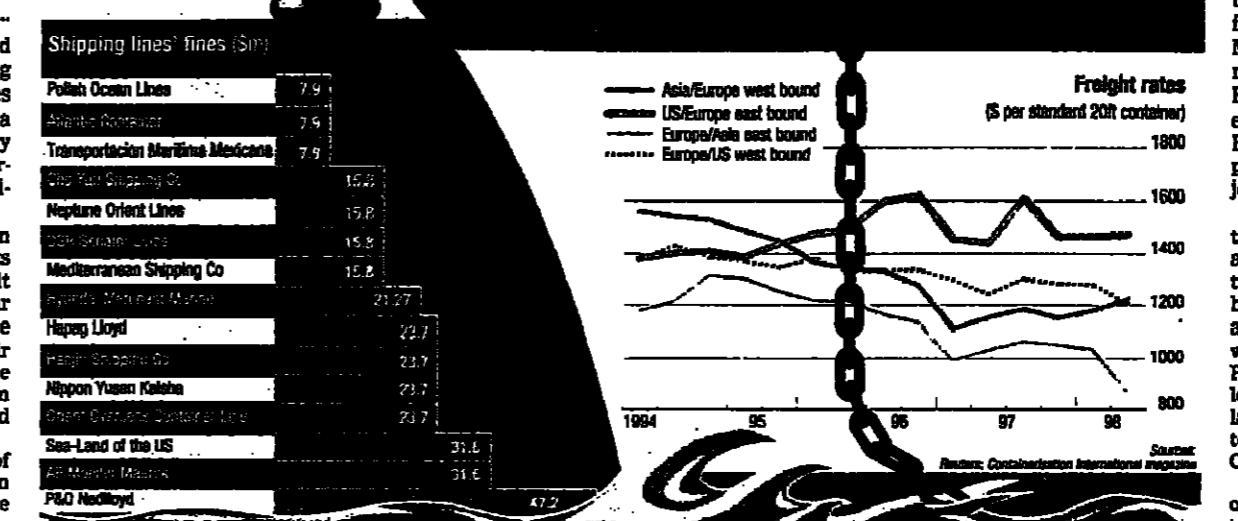
The decline in Asian imports and rise in exports have made it more difficult for shippers to balance their schedules and boosted the costs of repositioning their container "boxes". While outbound freight rates from Asia have risen, inbound rates have fallen.

Lord Sterling, chairman of P&O, says his main concern was for the impact of the European Commission's fines on the balance sheets of the smaller members of the TransAtlantic Conference Agreement. But even the larger container lines have come under pressure in recent months.

Neptune Orient Lines, the Singaporean carrier, this week forecast a loss in 1998

while P&O Nedlloyd last month announced a 39 per cent fall in second quarter profits "as a direct result of the crisis in Asia".

The shipping lines argued



lines which serve the north Atlantic have been under fire from their customers, the shippers, ever since they put in place an agreement to regulate rates and capacity in September 1992.

The Trans Atlantic Agreement (TAA), as it was then known, covered 85 per cent of sailings across the north Atlantic and pushed up rates by up to 100 per cent.

The shipping lines argued that the TAA was essential to stem their ruinous losses.

On some trades rates had fallen by 50 per cent and in the four years to 1993, when TAA started to make an impact, total losses on the north Atlantic routes reached an estimated \$550m.

The shippers attacked the TAA as an illegal cartel and said shipowners were overstating their losses.

In legal terms, the dispute which has continued for the past five years has centred

on conflicting interpretations of European regulation 4056, which exempts liner conferences from competition rules.

In practical terms it has centred on objections by Karel Van Miert, competition commissioner, to the shipping lines quoting inclusive rates for the sea and land parts of a journey; to the agreement's control of capacity as well as rates; and to clauses in the agreement

which allow members to charge differential rates, in contravention of the normal rules.

Under pressure from the Commission, the shipping lines came up with compromise proposals and a new agreement - TACA - in 1994 which dropped the constraint on capacity. This did not stop the Commission outlawing the TAA in October 1994, however.

A further sign that the

Commission was determined to roll back the scope of conferences became evident in March 1995 when the 14 members of the Far Eastern Freight Conference were each fined a "symbolic" Ecu10,000 (\$10,900) for fixing prices for the land part of journeys.

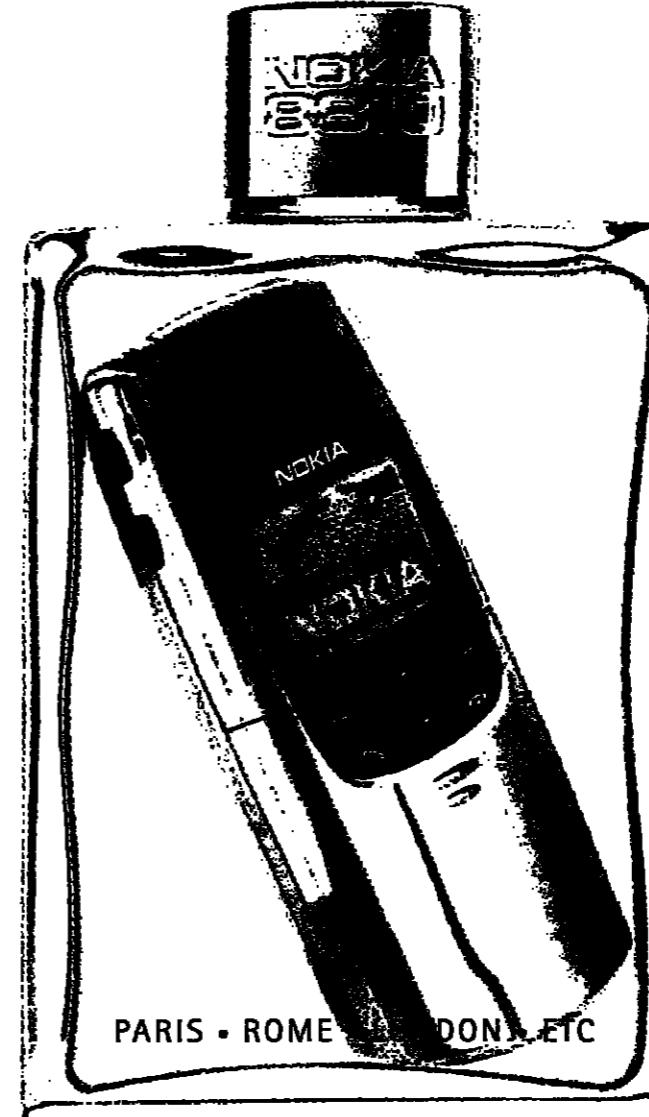
The shippers are jubilant that their long campaign against the two north Atlantic conferences appears to have been successful although TACA has said it will appeal. Lord Sterling, P&O chairman, forecast a long battle "which only the lawyers will win". Attempts to negotiate a deal with the Commission will continue.

Regardless of the outcome of the legal battle, the traditional conference system appears to have had its day.

In recent years the container lines have opted for a system of looser "alliances", which do not include price-fixing agreements.

But even alliances can be clumsy and some companies have preferred outright mergers to gain economies of scale.

Whether these tactics will overcome the chronic overcapacity which has kept returns low in the container sector remains to be seen.



NOKIA
CONNECTING PEOPLE

ASIA-PACIFIC

LDP close to deal on bank nationalisationBy Michio Nakamoto
and Paul Abrahams in Tokyo

Japan's ruling Liberal Democratic party was last night poised to conclude a landmark deal with the opposition permitting the nationalisation of the country's troubled banks. High-ranking officials of the ruling LDP and opposition groups met late last night to discuss the last remaining issues over which the two sides have yet to agree.

The LDP was determined to reach a deal last night to allow Keizo Obuchi, the prime minister, to produce evidence of concrete prog-

ress on banking reform measures when he meets Bill Clinton, the US president, next week. The LDP said late last night it was working towards a meeting of Mr Obuchi and Naoto Kan, leader of the main opposition party, the Democratic Party of Japan, before the end of the night.

The LDP's strong push for an agreement suggested it was ready to make further compromises in its negotiations with the opposition.

Political leaders on both sides yesterday indicated an agreement was imminent. Mr Kan said earlier in the day he expected an agree-

ment based largely on the opposition's proposals, "within 24 to 48 hours".

Mr Obuchi added, "time is running out, so I will make a decision if a final judgment is needed".

LDP officials noted that resistance within the party to some elements of the opposition's proposals meant a political decision was needed from Mr Obuchi. However, it appeared the LDP leadership was willing to accept most opposition demands, most controversially the temporary nationalisation of failing banks.

The need for a swift conclusion to the political

impasse over banking reform was underlined by further dire economic data released yesterday. Problems in the private sector, which accounts for more than 60 per cent of Japan's gross domestic product, were illustrated by a 38 per cent year-on-year collapse in machine tool orders during August, and a 4.5 per cent decline in Tokyo department store sales. A flight from equities into bonds took the Nikkei 225 benchmark index to a 12-year low, down 24 per cent at 13,859. The yield of the 10-year 182nd benchmark bond closed at another record low from 0.755 per

cent to 0.675 per cent. An agreement on banking reform legislation would end weeks of anxiety and frustration about the Japanese government's dilatory response to the financial sector crisis.

Dealing with the banks' problem loans is considered crucial to reviving the Japanese economy, and US officials in Tokyo emphasised the importance of acting swiftly on banking reform. "We... urge that effective banking reform legislation be enacted on an immediate basis," said Charlene Barshesky, US trade representative, in Tokyo yesterday.

Uncertainty about the outcome of the political debate and the fate of the troubled Long Term Credit Bank of Japan, which hinges on a political agreement, sent its share prices lower yesterday, down Y3 at Y2.

A deal came within reach after the LDP agreed to opposition demands that weak banks, such as LTCB, should be temporarily nationalised and Y130,000 (966m) public fund already established for the recapitalisation of weak banks be abolished. However, late last night the LDP was still holding on to an alternative scheme that would offer weak banks the option of

applying for an injection of public funds.

Opposition parties have refused to include such an option on the grounds that it would give the finance ministry discretion to determine which banks should receive public funds. "If we reach a political compromise that is ambiguous on this point, it will leave problems to be solved," Mr Kan said.

Another issue which remained to be resolved was the transfer of the finance ministry's power to decide financial sector policy to an independent body.

Editorial comment, Page 13

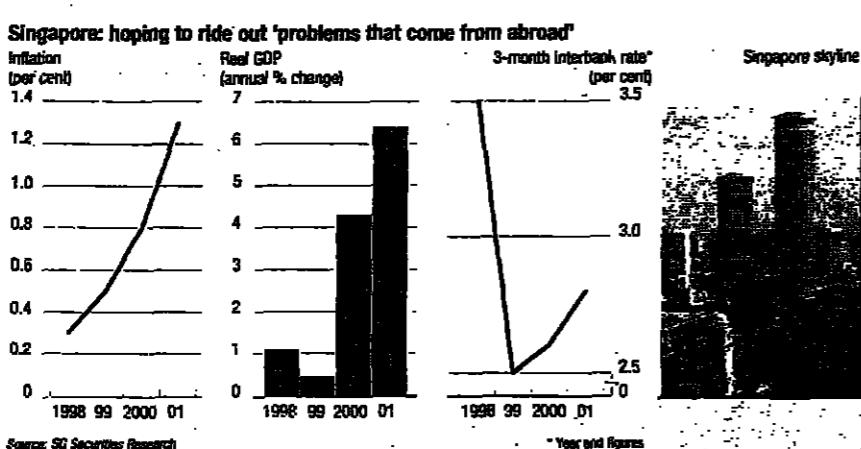
Singapore finds its dependence on neighbours uncomfortableSheila McNulty
reports that
Malaysian currency
controls are hurting
the city state

When the Singaporean contingent marched out for the opening parade of the Commonwealth Games in Malaysia last week, the crowd booted. And when their athletes competed on the track, they were booted again.

As the east Asian financial crisis has deepened, Singapore's better managed economy has continued growing as rival Malaysia's swiftly moved into recession. Malaysians have focused their anger on Singapore's superior financial centre for taking away trade in Malaysian currency and stocks.

But Singapore is home to just 3m people and has long depended on its neighbours for growth. To the south, Indonesians are confronting economic, political and social chaos, so Singapore has looked increasingly to Malaysia to maintain its momentum.

But with Kuala Lumpur's introduction this month of comprehensive currency controls restricting foreign operations in Malaysia (and ending the trade in Malay-



sian currency and stocks in Singapore, the city state is now being hit by all sides.

The impact on Singapore's economy could be enormous. Singaporeans were already losing jobs as companies reported losses before the controls were imposed. Individuals were struggling to meet loan payments. Even the biggest corporations were offering steep discounts to activate demand.

"Singapore's *raison d'être* is to serve as the regional hub, switching flows of capital, labour, goods, services, telecommunications, tourists, information and so on," says Manu Bhaskaran, managing director of S.G. Securities in Singapore. "The long-

ger term danger is that if Malaysia cuts off a good chunk of these flows - following Indonesia's economic collapse, which caused another major portion of such flows to dry up - then the threat of a dilution of Singapore's role as the regional hub arises."

And that cuts into potential growth for Singapore's economy. Mr Bhaskaran predicts growth of 1.1 per cent this year, down sharply from 7.8 per cent last year. And he expects the slowdown to worsen next year, with just 0.6 per cent growth.

Tan San Mui, head of Singapore research for Merrill Lynch, notes that Malaysia is Singapore's second largest

trading partner. She estimates Singapore's foreign direct investment in Malaysia at \$12bn (US\$7bn), nearly 10 per cent of gross domestic product.

Malaysians are believed to be the biggest source of visitors to Singapore. Singapore's far more efficient port handles much of Malaysia's imports and exports. And analysts say Singapore banks have about 10 per cent of their total assets in, or exposed to, Malaysia.

"Should the Malaysian economy stagnate or regress, this growth opportunity for Singapore banks, and its economy, is effectively shut," Ms Tan says. "What else is there left for Singapore?"

It was the day Goh Chok Tong, the prime minister, tried to explain to his people that there was little Singapore could do. "Our problems come from abroad, so we cannot solve them by

pore, especially its banks, with the region in crisis."

Singapore has, nevertheless, refused to undertake the interventionist methods of Malaysia to try propping up its deteriorating stock market and currency. Its attempts to ease the pain of Singaporeans have largely been confined to stimulus spending on infrastructure and attempts to make the property and port businesses more attractive.

It has also expended considerable effort liberalising its financial sector and eliminating inefficiencies. This has increased pressure on the sector now to widen the gap between potential regional competitors in the long run.

As the international financial community praises the city-state for such efforts, Singaporeans privately complain about the lack of direct intervention to ease their burdens. They say the dissatisfaction, in this largely uncritical society, was most evident last month by the fewer flags flown by Singaporeans outside their windows on National Day.

"I do think it's good that they are not trying any short-term populist measures," said Kate O'Donnell, regional economist at Barclays Capital. "The Singapore government, at the moment, is doing a careful job of managing expectations." With an economy so dependent on its increasingly hostile neighbours, there is little else they can prudently do.

Flight ban fuels regional tension

By Sheila McNulty in Singapore

Malaysia has banned Singapore military and search-and-rescue aircraft from its air space from today, escalating tensions that have intensified in tandem with the east Asian financial crisis.

The announcement came a day after Lee Kuan Yew, Singapore's senior minister, formally unveiled his memoirs, provoking outrage across the border with unfaltering references to Malaysians.

The rival neighbours attempted to work together when the crisis began, but Malaysians' anger grew as the ringgit weakened with the outflow of funds from Kuala Lumpur in search of higher rates offered to ringgit deposits in Singapore. They also were upset by reports of short-selling of Malaysian shares in Singapore while the practice was banned in Kuala Lumpur.

The sweeping currency controls Malaysia imposed at the start of this month end both practices and by targeting Singapore's all-important financial centre, have raised the stakes in the battle between them.

Malaysia's defence ministry said Singapore could seek permission to cross into its air space on a case-by-case basis. Singapore's Defence Ministry said it had alternative arrangements to ensure operational effectiveness and its training would not be affected.

Malaysians insisted the move was not in response to Mr Lee's memoirs, although many are openly outraged by the book. Mr Lee accused members of Malaysia's ruling Umno party of helping to instigate the 1964 race riots in Singapore.

HK sees jobless rate rise add to malaise

By Louise Lucas in Hong Kong

Unemployment in Hong Kong reached 5 per cent in the three months to August, matching the previous high in May 1993. Adding to the economic malaise in the territory, Hongkong Telecom announced salary cuts for all its 13,800 workforce.

The figures were released as the stock market, already down 35 per cent from the peak in August last year, slid further on the back of falls in Tokyo and jittery sentiment around the globe.

Share prices were boosted in August, when the government spent some US\$16bn buying up bluechip stocks in a bid to eliminate speculators. The move helped bring some stability to the markets, but it also elicited much criticism - further brouhaha of which was doled out by Alan Greenspan, chairman of the US Federal Reserve.

Speaking at a special hearing of the House of Representatives' Banking Committee on Wednesday, Mr Greenspan said he doubted the move would be successful and would erode some of



Greenspan: erode credibility

S bank's

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HK sees
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FINANCIAL TIMES FRIDAY SEPTEMBER 18 1998

in LSC

BRITAIN

US bank's entry offsets jobs gloom

By Brian Groom in London and Andrew Parker in Cardiff

Banc One Corporation, the US bank, yesterday announced plans to begin marketing credit cards in the UK by the end of the year, and create 1,000 jobs in Cardiff, the chief city of Wales.

The bank will trade in Britain under the name Bank One International, and is to market Visa and MasterCard credit cards. The cards will be issued by First National Bank of Chicago,

which is to merge with Banc One in October. The capital investment is thought to be worth £50m (£82.5m).

Patrick Blewett, president of Bank One International, said Cardiff offered the best combination of high quality workforce, quality of life and infrastructure. Ron Davies, chief minister for Wales in the UK government, said: "Wales is becoming a leading player in the financial services industry." The government has given regional selective assistance, and South Glamorgan training

and enterprise council will provide training.

The Banc One announcement came on the day that Vickers, the defence group, deepened gloom in northern England by saying it would cut 1,136 jobs and close its Leeds tank factory.

The UK labour market, however, may be approaching a turning point, even though the number of people claiming unemployment benefit has fallen to an 18-year low. Business Strategies, the economic forecaster, said the jobless total could grow by

250,000 by mid-2000 - a slowdown, not a recession. Ministers are braced for the possibility that up to 500,000 jobs could go.

Companies have also been making clear during the autumn financial reporting season that they expect tougher trading conditions in the months ahead. Trinity Holdings, the regional newspaper publisher, and John Lewis Partnership, the stores group, were the latest to make such statements yesterday.

Evidence of how unbal-

anced the UK economy has become is seen in the fact that even amid redundancies, skill shortages persist in sectors such as information technology, hotels and catering, and the health service.

Wales may get more good news next week. Government officials are confident that International Rectifier, a US power transistor manufacturer, will announce plans to create up to 500 jobs in Swansea. The company said it was close to agreeing terms. Wales's joy brought

little comfort to northern England, which was rejected by Banc One, along with Dublin and other European sites, for its investment.

Vickers yesterday announced it was closing its Leeds plant and transferring production of the Challenger 2 battle tank to Newcastle upon Tyne. Vickers blamed the closure on a slowdown of work on the Challenger 2 as the British Army's order for 386 tanks comes to an end.

See Lex in Companies & Finance, UK

NEWS DIGEST

EUROPEAN SOCCER SUPER LEAGUE

Clubs to be told likely revenues 'overestimated'

The UK's Premier League soccer clubs will be told by a firm of independent sports media consultants today that the Italian marketing company behind the proposed breakaway European super league has overestimated the competition's likely revenues by almost 100 per cent. A report from Oliver & Chibaum will suggest that the super league is likely to generate just over £650m (\$1.07bn) a year in television and sponsorship revenue, and not the £1.2bn promised by Media Partners, the Milan-based firm behind the breakaway competition.

When Media Partners presented its super league plan to all 20 Premiership clubs for the first time two weeks ago, many of the club chairmen present were said to have found the revenue estimates provided by the firm "unconvincing".

Oliver & Chibaum's estimate of super league revenues is well below the figure predicted by Media Partners because the consultancy believes the Italian firm is over-optimistic about how quickly pay-per-view TV will become established throughout Europe and about the likely revenues from pay-TV. Patrick Harverson, London

AIRLINE CHIEF'S \$16M SCHEME

Chain of cybercafés proposed

Stelios Haji-Ioannou, chairman of EasyJet, the low-cost airline, plans to launch a chain of 24-hour cybercafés in London. He intends to sell quality coffee, modelled on the US Starbucks chain, alongside the screens.

The Greek shipping magnate's son who revels in challenging the dominance of the big airlines, said he aimed to open the first of at least 20 cafés in the UK capital within six months to a year. He said he was prepared to invest up to £10m (\$16.5m) of his family's wealth in the venture, registered as EasyCafé, and expected it to become profitable in about three years. Industry insiders said Mr Haji-Ioannou may be too late with the idea. Roy Bliss, managing director of Demon Internet, the service provider, said internet cafés were a thing of the past and other services - such as internet access for business travellers - would be more fruitful. Alison Maitland, London

EDUCATION

Minister attacks 'elite' exam

A government minister yesterday unleashed an assault on the traditional A-level examination as a university entrance qualification, dismissing it as "wrong", elitist and designed "for a world which no longer exists". In a speech to university vice chancellors, Baroness Blackstone, the higher education minister, said the "gold standard" qualification was too narrowly specialised and had become a stumbling block to the government's drive to widen access to higher education. She called on universities to reform their admissions policies, warning that they could be missing "potentially brilliant" students by laying down long established and inflexible entry requirements. Baroness Blackstone, former master of Birkbeck College, London University, said the traditional post-16 curriculum was designed for a "world in which higher education was the preserve of a highly specialised elite". But with a third of young people going to university, and with employers demanding students with a "far wider range of skills than those of 10 years ago, never mind 40", she said the A-level qualification must change. Simon Targett, London

VENTURER OF THE YEAR AWARD

Award for roof entrepreneur

John Lancaster, founder of conservatory roofing company Ultraframe, was yesterday declared overall winner of the Venture of the Year award, sponsored by the jewellers Cartier, the Financial Times and the British Venture Capital Association. Ultraframe, started in 1983, attracted £4m (£6.6m) from venture capital group 3i in 1995 and reached the stock market last October with a market capitalisation of £136m. The award recognises contribution to employment and the economy in general, innovation, soundness of financial performance, return to venture capital backers and overall consistency. The scientific research based company award is shared by Dermott Simpson, executive chairman of Belfast-based ECO Technologies, and its founder Scott Blackstone. Neil Heywood, managing director of Quadstone, a Scottish software company, won the small start-up category. The large start-up winner was David Proctor of Xpedite Systems, a fax and e-mail distribution service. Katherine Campbell, London

Minister gives tough warning over need to back government reforms

Peter Mandelson, chief minister for trade and industry, warned trade unions yesterday of pressures to weaken the package of workers' rights proposed in the government's Fairness at Work policy paper, David Wighton writes.

Mr Mandelson promised the Trades Union Congress that he would argue for them and work for legislation that was "seen by all as fair and balanced". But they were "controversial changes" for which a case still had to be made, particularly in view of the growing pressures on British businesses.

The comments by Mr Mandelson, (right, on the conference platform) will fuel union fears that elements of the paper could be diluted in the face of strong criticism

from business. The Confederation of British Industry, the UK's employers' organisation, has expressed alarm at some measures, including removal of the cap on compensation for unfair dismissals.

Mr Mandelson's somewhat ambiguous comments reflected the general tone of his speech to the TUC conference, in which he professed himself a strong believer in trade unions but was uncompromising in his calls for further modernisation.

He warned the unions that they would have to co-operate with the Labour government's reform programme if they wanted to retain a voice in government decision-making. "The choice is yours - opposition or legitimate influence," he said. Picture: Reuters



Accounting regulator may form model for professions

By Jim Kelly,
Accountancy Correspondent

The government yesterday proposed a single new self-regulatory regime for 200,000 accountants and signalled that it could become the blueprint for a regulator covering many professions.

The announcement from Peter Mandelson, chief trade and industry minister, meets one of the governing Labour party's election promises to improve regulation after widespread criticism of existing controls as "chaps regulating chaps".

The proposals are based on an outline put forward by the UK accountancy profession's six bodies, based on successful US practice. But the government has added extra safeguards to protect the public interest and clients.

"The proposals I am announcing today will ensure transparent and robustly independent regulation to be delivered in partnership with the profession," said Mr Mandelson.

The government is to monitor closely the progress of the scheme, the first non-statutory regulatory regime put forward by Labour. It will consider expanding the scheme to include other professionals.

"Frankly this is good for the future - it demonstrates that the government believes a profession can think responsibly for itself about the public interest," said Chris Swinson, president of the Institute of Chartered Accountants in England and Wales.

Mr Mandelson also published a long-awaited draft law which offers all regulated professionals the chance to form limited liability partnerships (LLPs) so they can protect their personal assets from litigation.

Some banks said they planned to scale back trading activity at the end of the year to reduce their settlement workload, but it is not yet clear what effect this might have on overall trading volumes.

The Bank urged financial institutions to send standard settlement instructions detailing where they wanted to receive euro payments to their trading partners by September 30. Few banks have yet done so, raising the possibility of confusion and delays in payments reaching their destination.

Many union officials remain sceptical but they are unlikely to divert Mr Monks from his grand design of using the TUC to help turn the UK into a social market economy like its European counterparts.

• Retail spending during

August showed "surprising" growth in spite of earlier surveys suggesting a decline in consumer sales. Our Economics Staff write.

The Office for National Statistics said retail sales volumes grew by 0.4 per cent last month, stronger than many City forecasters had expected after earlier gloomy sur-

veys from the Confederation of British Industry and the British Retail Consortium.

Most independent forecasters had expected growth to be just 0.1 per cent.

The annual growth in retail sales fell back to 2.9 per cent, compared with July's growth of 3.1 per cent, which was revised up from earlier estimates by 0.1 percentage point.

"These data once again suggest that fears of a consumer-led recession are overdone," said Richard Drey, UK economist at ABN Amro bank.

See Editorial Comment

Lloyd's unit to cut jobs by 30%

By Jim Kelly in London

The Lloyd's of London insurance market is to cut 300 of the 1,000 jobs at its insurance services business unit and reduce costs by £10m (£16.8m) a year, Ron Sander, chief executive, announced yesterday.

The measures follow a review by PwC, the professional services group, which worked with senior members of the Corporation of Lloyd's. "The reduction in the number of jobs will arise from redeployment, normal staff turnover and, regrettably, some redundancies," said Mr Sander.

"We are committed to improving efficiency and reducing costs across the corporation and its business." He said the changes to the insurance services unit would be completed by the end of next year.

The unit, one of five at Lloyd's, comprises most of the information technology-based activities and accounting, policy processing and claims handling services.

The biggest parts of the unit are the Lloyd's Policy Signing Office in Chatham and the Lloyd's Claims Office in London. Overall the corporation, which is the main service provider to the Lloyd's market, employs 2,000 people.

The business unit is seen as the most commercial division and the cost-cutting reflects radical restructuring and competition in the international insurance sector. There is also expected to be a reduction in claims handling and other processing services provided by the unit to Equitas - the re-insurance company.

Equitas was formed to reinsure the market's 1993 and prior year liabilities as part of the reconstruction of Lloyd's. It will increasingly handle claims itself.

In a letter to John Mogg, director general of financial services at the European Commission, the securities industry group has asked for central bank and regulators to set out contingency plans for dealing with the fallout if a big bank or financial institution fails to convert all its systems to the euro at the end of this year.

Banks expect to face a hectic long weekend to re-denominate their securities portfolios and to adjust their computer systems in time to start trading in the euro on January 4.

They have asked the European Commission and the European Central Bank to make clear who is responsible for handling any big problems that arise in this short period.

UK institution carries its royal cachet to US quality assessment market

The world's oldest standard-making body balances tradition with new strategy to attain global status, says Andrew Baxter

Keith Tozzi, chief executive of the British Standards Institution, has moved fast since accepting the job 20 months ago to push through a new business strategy aimed at putting the organisation on a par with its global competitors. BSI, which has been expanding in the US this year, was founded in 1901 and is the world's oldest standard-making body.

Mr Tozzi, a 49-year-old civil engineer, has the difficult job of maintaining BSI's traditional standards-making side, which covers a wide range of products and processes without using it to gain an unfair advantage on its commercial activities.

These range from assessing companies' quality and environmental management systems to product testing, product certification via the BSI Kitemark and the European CE Mark, and training. BSI's competitors in these sectors lack this dual role.

And they do not have a Royal Charter, either, which Mr Tozzi admits, has a cachet that creates a competitive advantage.

It costs about £25m (£41m) a year to keep the standards-writing process going, says Mr Tozzi, and the service "just about washes its face".

Helped by a £1m grant from the UK government and revenue from the sale of standards. But the DTI grant will continue to fall, obliging BSI to broaden its commercial activities so it can safeguard the standards-making side.

Unfortunately, however, BSI's commercial competitors were two-and-a-half to three times bigger than the UK organisation when Mr Tozzi began a strategic review last year. "This gives them a commercial advantage in terms of costs and pricing," he says. Competitors also had better global coverage. Increasingly important is big international companies prefer to

buy all their global quality services from one supplier.

Last September, Mr Tozzi went to the board with a four-point strategic plan - to increase annual revenues from £100m to £200m in three to five years, to find a way to develop a bigger global network; to

strengthen its position in the US and Far East; and to expand the UK testing business.

BSI has already achieved some of these aims - a better global network. In April, it announced the £25.5m take-over of Inspectorate, a UK-based inspection and testing

company with 170 locations in 90 countries and a well-known name in the petrochemicals, metals and minerals markets.

The next target is the US, where demand for services such as the ISO9000 quality management assessment is growing at 40 per cent a

year. Industrial customers rarely switch their quality assessment suppliers, however, so Mr Tozzi says: "You have to be in there growing at the same rate as the market, otherwise it would take you 20 years to win back business from the competition".

Quietly, BSI has expanded in north America this summer, moving to bigger headquarters in Virginia and acquiring the Center for Energy and Environmental Management (CEEM), which provides management system training. Further US investments will be made, says Mr Tozzi.

He is confident that, with the right organisational structure, BSI will not get an unfair advantage from its standards-making side. "We've got . . . to ring-fence it completely," he says. "We can inject money into it, but there is no route for surplus funds into the commercial side." Besides, he says, as most of BSI's new standards are written for European Union or international use, "it's a fallacy to think we are writing them for ourselves".



Keith Tozzi: China and Japan are "real potential growth prospects"

Eyecatchers

MANAGEMENT

MARKETING RETAILING ON THE WEB

A grab for impulse shoppers

How do you get online shoppers to buy what they didn't know they needed? asks Alison Smith

Begin a search on any subject from artworks to Zwingli, a 16th-century religious reformer - and you are quite likely to see an onscreen advertisement from Amazon.com. The ad means you are only one move away from browsing through the books on the online store on your chosen topic.

Amazon reached the agreement to show these ads with five of the six most used web aggregators or portals, including Alta Vista and Yahool, slightly more than a year ago. The almost seamless shift from searching to buying is one of the most striking examples of how the internet can be used to draw people into making impulse purchases.

"You can go from an information-seeking experience to a shopping experience with one click," says Brian Cauley, president of APL Digital, part of advertising network Ammirati Puris Lintas.

Encouraging people to buy items they had not intended to buy is an art that high street retailers have honed during many years.

Eye-catching displays, juxtaposition of complementary items, and tempting shows of treats such as chocolates and magazines near supermarket checkouts are common practice in conventional stores. Online retailers, however, are only just beginning to think of ways of stimulating unplanned demand.

"If I go round a supermarket, my trolley includes

special offers, but if I do my shopping on the web I stick pretty much to the same list of items," says Keith Wills, European retail analyst at Goldman Sachs.

One of the dangers for retailers is that people end up with a utilitarian set of purchases online, and visit a real-world supermarket for fresh and added value products.

If the online shopping basket goes back to basics then retailers lose margin gains."

Ease of purchase is perhaps the most important way for both internet and conventional stores to encourage impulse buying, says Mr Wills.

"After buying a football shirt, does the customer have to scroll through a dozen screens to get the matching shorts and socks? What about quick access to the checkout? Just as in a store, the customer will not want to search through countless options but rather be guided by a handful of products that suit their taste and budget."

Online purchasing clearly has its drawbacks: shopping on the screen cannot replicate the sight, smell and feel



when shopping is more convenient. "The web is never going to be able to satisfy the urge for that kind of immediate, low-price indulgence," says Mr Cauley.

But in other respects, online retailing may be better suited to encouraging unplanned buying than high

street stores are. One advantage of grocery shopping may also be affected by the absence of peer pressure: there may not, for instance, be any children around trying to influence your choice.

The sense of having performed a chore that deserves a treat will be less marked

period of time and come back to you with an offer targeted at your known preferences at some later date," says Mr Wills. "The high street retailer can't come back to you in the same way."

At present, however, many retailing websites may be failing to capitalise on their potential advantages, producing a functional environment rather than an enjoyable experience. But this seems likely to change as technology improves and the size of the market grows.

"It is early days at the moment, but the internet allows you to adapt what you're doing in response to your audience," says Mark Wilson, of marketing consultancy Bamber Forsyth.

"Provided retailers are listening to their customers, they can learn and change their sites in just a few months."

MY SECRET WEAPON STELIOS HAJI-IOANNOU

No frills and lots of feedback

Stelios Haji-Ioannou is chairman of EasyJet, the low-cost, no-frills airline he launched in 1995 with financial help from his Greek shipping tycoon father. Aged 31, he is no stranger to court battles, most notably with British Airways over Go, its new cheap-fare service. After studying at the London School of Economics and City University Business School, he joined his father's company, then set up his own shipping line, Stelmar Tankers, in 1992. He caught the airline bug after meeting Richard Branson, the Virgin founder, and modelled his company on Southwest Airlines of the US. He shuttles between EasyJet headquarters at Luton airport near London, his residence in Monaco and his birthplace of Athens.

I see it also as a great marketing exercise. People feel safer if I'm on board.

They believe that someone cares about their problems. It's not a faceless company that will let them down. If all else fails, they can always call the owner.

I'm not sure I'm a natural showman. Deep down I'm a private person, perhaps a bit shy. You learn how not to be shy. I've developed a routine. I have half a dozen small-talk subjects and I've perfected the dialogue. I felt very nervous the first day I did it, the day I started the airline, on board the flight to Glasgow. Now for me it is the most useful and pleasant way of spending a flight.

I lead by example. People will do things if they see their boss doing exactly the same. If people see the boss talking to customers ... they can't duck out.

The best way to keep a team motivated is to convince them they're always under attack, always on a warpath. Having an external enemy is the best way of focusing their minds on results rather than fighting each other, or becoming complacent. Our war meetings are done

standing up - there's no better way of signifying urgency, for example when British Airways launched a route to Edinburgh. It's a great way of quickly

Keeping in touch with the customer is crucial. Three or four times a week I fly EasyJet just to talk to people. I always introduce myself during the flight. I never sit in the cockpit or in the front row and drink champagne, which is available but costs £13.20.

It's probably the high point in owning an airline. People are quite appreciative. They actually thank me for making travel affordable. I've received a number of letters saying:

'You've saved my life, you made it more affordable for me to go and see my other half.'

It's a bit of an ego-boosting exercise but it confirms the concept works. It's the ultimate consumer research.

If I am on a delayed flight, and unfortunately it does happen, I'm there for the good times as well as the bad times. The important thing is you get feedback.

I've yet to meet a person who says: 'What a pity there isn't a meal on this flight.'

Mr Haji-Ioannou war meetings

exchanging information.

I'm a great believer in openness. I'm keen that every piece of information is available to everybody in the company. There are no secrets in the company. Every time I'm engaged in salary negotiations I realise that the individual is aware of everybody else's salary. There's more to be gained by sometimes having too much available rather than trying to restrict what's available.

We are a young company employing a lot of young people and most of them feel more comfortable in casual dress. The only people who should wear a tie because it looks better are the pilots. Although we're very innovative in certain things, we consider certain things as being sacrosanct.

A lot of my thinking is reactionary - I know how not to do things. My desire to run paperless offices comes from frustration when I was running my father's company when everybody was holding on to information as a way of holding on to jobs. There were seven floors and a floor manager for every floor who was the king of that floor.

A lot of the informality, the ideas, I got from Branson. I'm always with the underdog. I'm an underdog in the airline industry. The fact that I make air travel affordable to more people is one of the things that gives me pleasure. Business executives who travel British Airways Club Class don't need my help. But opening it up to other people, you feel what you do is more worthwhile. I don't think I'll ever start a luxury brand. Providing value for money for the masses is where I'll continue to expand in the future.

Alison Maitland

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Mr N Cudmore

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COMMENT & ANALYSIS



PHILIP STEPHENS

Come back Truman

The world needs more than interest rate cuts. The US, Europe and Japan must set their economic policies in a global context

We must pretend to be impressed. With all due solemnity the finance ministers and central bankers of the seven most powerful industrial nations have owned up that the world economy now rests on the precipice. A little late, you might say. But let's not cavil. These great men are paid to be cautious. And if things get any worse, though only then, words will be matched with deeds. Interest rates could be slashed by at least a quarter of one percentage point.

I take no pleasure in sounding a touch cynical. Glance around the world at the conflagrations in Russia and Asia and at the smouldering bushes in Latin America and the temptation rather is to weep. Yet we cannot ignore the dismal hollowness which echoes through the west's response to an economic crisis that could yet return us to the 1930s.

We are not, it should be said, facing the collapse of global capitalism. Those on the political left who now proclaim that we are at the beginning of history are about as prescient as those who not so long ago pronounced there were no more pages to be turned. Save perhaps in Yevgeny Primakov's Russia, the command economy still lies beneath the rubble of the Berlin Wall.

The indiscriminate march of market liberalism, though, has been checked, and rightly so. The decade after the fall of communism has seen the US remaking the world economy in its own image. The process seemed effortless. Free markets delivered faster growth. But the Asian standard-bearers of this new financial liberalism are now facing falls of five, 10 and

more per cent in their national incomes during a single year. We are reminded (and only liberal fundamentalists ever thought otherwise) that efficient markets need effective rules.

Thus there are welcome signs that western policymakers are beginning to rethink some of the more risible orthodoxy of recent times. It seems self-evident now (it should always have been so) that there is more to economic management than shrinking budget deficits and an explosion in world credit built on ever more flimsy financial derivatives. The implosion of the Japanese economy tells us that Keynes still has something to say.

There have been some hints from Washington this week (though I admit they are hard to find in the self-justificatory complacency of Michel Camdessus) that even the International Monetary Fund has lifted its head an inch or so above the sand. The lesson is that markets

cannot be oblivious to culture, politics and geography. The torrent of money that flowed into Asia's so-called Tigers was proclaimed a triumph of liberalism. In truth it rested on a mutual confidence trick perpetrated by crony capitalists and reckless bankers.

However much it offends the IMF's fundamentalists, some constraint on speculative financial flows is probably vital to solve the present crisis. As the American economist Paul Krugman has argued, for economies mired in slump the undoubted costs of exchange controls is a price worth paying.

Perhaps I am too optimistic here, but common sense may also be gradually elbowing aside dogma in a dawning realisation that one-size-fits-all adjustment is socially destructive and politically destabilising. At last the Group of Seven is talking about softening the social impact of IMF austerity programmes. Better late... as they say.



The Real challenge for Cardoso

Brazil seems to have survived yet another manning on the financial markets, its currency bloodied but - so far, at least - unbowed. It is not the first time. Last month, Latin America's largest economy weathered the gales blowing from Russia and Asia by jacking up interest rates and promising big public spending cuts.

Although there was another sharp fall on the Brazilian stock market yesterday - share prices fell by 8 per cent in morning trading - it seems to be clinging on. Encouraged by rumours that the International Monetary Fund, urged on by the US government, is trying to put together a bail-out for Latin America, the São Paulo stock exchange has risen by 30 per cent since Friday, having plunged 55.5 per cent between the beginning of August to last Thursday. The flood of capital out of the country, which had averaged \$1.5bn a day last week, has slowed to a relative trickle (\$352m on Tuesday). Even by their own standards, Brazilian markets have had a melodramatic few weeks.

The questions are: how much longer can this go on? And at what cost? Even if Brazil has beaten back a run on its currency - and that is still a big if - it has almost certainly just bought time at the cost of a recession.

Perhaps that was inevitable. Brazil's problem is that its budget deficit, now running at 7 per cent of gross domestic product, is unsustainable and its current account deficit, 4 per cent of GDP, is too high. To finance the deficits while maintaining a stable exchange rate, interest rates have been kept up and growth restrained. High rates mean high interest payments, and a bigger budget deficit.

Before the current turmoil erupted, the government knew what it wanted to do to get out of this mess. After presidential elections on October 4 (assuming victory for President Fernando Henrique Cardoso), it planned to start clipping back the budget deficit to around 3 per cent of GDP within three

years by raising taxes, cutting spending and introducing tougher pensions reform. Privatisation would also help bring down debt. By convincing markets of the plan's credibility, the government hoped to be able to reduce interest rates and further ease fiscal pressure.

Economists believe a second part of the strategy would be to let the currency fall faster, encouraging export-led growth, and reducing the fiscal deficit further.

Instead, the crisis has plunged the country into a potentially vicious circle. To stem capital outflow, short-term interest rates

have been raised to nearly 50 per cent. This exacerbates the fiscal burden, the root of Brazil's credibility problem. Marcelo Carvalho, chief economist at J.P. Morgan in São Paulo, puts the additional cost of the interest rate rises at R\$60bn (\$5bn) a month - 0.7 per cent of GDP.

As if that were not enough, Brazil's debt repayment timetable looks alarming. Its domestic debt has increased from R\$179bn in January 1997 to R\$305bn at the end of July, with an average maturity of seven months; more than 60 per cent is indexed to the overnight interest rate; R\$65.2bn matures in October alone.

Uncertain outcome: President Fernando Henrique Cardoso's election points upwards - but Brazilian markets are falling



If the Bretton Woods institutions want to rebuild some credibility, they must put reality alongside theory. The obstacles facing the politicians cannot be separated from the aspirations of the economists. We can all lament the failure, say, of successive Russian governments to collect enough taxes. But I am not sure what the west gains from punishing the mistake. What price, I wonder, will we pay if a Russia returned to nationalism flexes its nuclear might?

More immediately, of course, hopes that the present recession in 40 per cent of the world does not become the precursor to stumps elsewhere rest mainly with Alan Greenspan. IMF-backed support operations in Brazil and elsewhere may help. But it is for Mr Greenspan to preserve the fragile confidence of international markets by cutting US rates. Let's hope the Fed chairman displays some familiar wisdom.

We are talking here, though, about firefighting, about palliatives not cures. Vital, sure enough, but offering an answer perhaps for the next three months not for the next three, let alone, 10 or 20 years. What is missing, and most dangerously so, in the current panic of deliberation is a recognition by the most advanced economies that they sink or swim together. Warns words from the G7 scarcely cloak the fundamental disagreement about their respective responsibilities.

Thus Japan is blamed, and with good reason, for failing over more than five years to respond to the collapse of demand in its economy. It will be rescued only by a massive fiscal and monetary stimulus and by the nationalisation of its banks. But Japan's paralysed political class has thus far refused to listen.

To those on the outside looking in, this is kamikaze economics. But we should not kid ourselves that Japan is the only villain of the piece. There are two other sides to the triangle.

The arrogance with which Washington has asserted the hegemony of unfettered

markets has been matched by stubborn insularity in Europe. The euro was once meant to symbolise the continent's emergence as an economic superpower. Instead it has bred Maastricht myopia, an obsession with fiscal deficits and inflation. No place there for a role in the wider world.

Thus we have heard the Bundesbank's Hans Tietmeyer blithely declare that Europe has no cause to cut its interest rates. Anemia has become a way of life in European economies. Yet Asia's fate hinges on the capacity and willingness of the US and Europe to buy its products.

Herein then, lies the greatest cause for pessimism. We might just muddle through now. But the precondition for a flourishing international economy (and, it should be said, a more secure world) is a mutual recognition between its largest players of their interdependence.

Liberal capitalism needs an anchor of stability. That can be provided only by close policy co-ordination between the US, Europe and Japan. Bill Clinton and Tony Blair, we now hear, want a full summit of the G7 to chart the way ahead. But even as they speak, their treasurers caution against raising expectations. Never mind any threats to our security. The bean-counters are in charge. As for co-operation between them, the truth is that the world's most powerful nations are far as part as they have ever been.

The world needs a new financial architecture. As Paul Volcker, the former Fed chairman, has remarked, it should be built on stability - the creation of reference zones, if you like - between the dollar, yen and euro. The value would lie not in the precise matrix of exchange rates, but in the underlying commitment it represented.

Unless and until the most powerful nations frame their domestic policies in a global context we face a period of endemic instability. This is about politics as well as economics. A poorer world is a more dangerous one. But change requires imagination and leadership. Where is Harry Truman now?

LETTERS TO THE EDITOR

West should support interventionist policies of new team in Russia

From Mr Daniel J. Arbess,

Sir, It is as much an oversimplification to believe that the political resurgence of the Russian Communists should be equated to a return to totalitarianism as it was for the west to believe that it could save market reforms in Russia by providing macro-support for a fundamentally unformed economy ("Soviet men", September 14).

Nobody believes in a return to the command economic model - perhaps not even the hardened super-majority of the Communist party. But the new regime will be more interventionist,

and that is exactly what is needed to move the transition to markets further.

Russia's public finances will be restored only when it breaks the barter economy and establishes a tax base of profitable enterprises. To get there, the country needs an industrial policy that forces the liquidation of insolvent businesses and attracts tax revenues back onshore from the profitable ones.

Until there is evidence that the new team won't move in this direction, the west should suspend cynical ideological games over industrial policy and show a willingness to provide support to the Russian people.

Daniel J. Arbess,
president
Taiga Capital Group,
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US

EU pensions tax problems being tackled

From Ms Elisabetta Olivi.

Sir, I wish to congratulate the Financial Times on its excellent guide on "The future for European pensions" (September 11). However, I would like to comment on the assertion in Jane Martinson's article that Commissioner Mario Monti "has suffered the defeat of 36 directives involving changes to taxation".

Mr Monti did say in the interview that, when he joined the Commission in 1995, he was concerned that there were 18 taxation proposals blocked in the Council and that 30 more had been withdrawn shortly before. Precisely in order to

make progress in this area - especially difficult due to the requirement of unanimity among member states - the Commission adopted in 1996, on the initiative of Mr Monti, a new approach to tax co-ordination.

This approach has been endorsed by member states and has resulted in particular in the unanimous agreement at the council of finance ministers in December 1997 on a package of measures, proposed by the Commission, against harmful tax competition.

Among the measures is the code of conduct for business taxation, which is in the process of being implemented through a Council group chaired by Ms Dawn Primarolo, the UK financial secretary to the Treasury.

Building on the constructive climate created by the new approach to tax co-ordination, Commissioners Monti started discussions with member states recently on how to tackle tax obstacles to a single market for supplementary pensions.

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spokeswoman for Mario
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European Commission.
Rue de la Loi 200,
B-1049 Brussels,
Belgium

Resounding rebuke from a former president

From Mr James S. Lapsham.

Sir, A re-reading of the letters of John Adams' love and devotion to his feminist wife, Abigail, give a resounding rebuke to all those defenders of President Bill Clinton who say "all great presidents had affairs". President John Adams wrote: "To maintain a republic required virtue and simplicity among all orders and degrees of men." A great politician, he wrote, "is to make the character of his people, to extinguish among them the follies and vices that he sees, and to create in them the virtues and abilities which he sees wanting".

Joseph I. Lieberman in speaking out against President Clinton is the only bright spot in this sordid tale of moral turpitude and political nihilism.

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Divided loyalties

Scepticism towards a Welsh national assembly reflects deep political, geographic and economic divisions in the principality

Rhodri Morgan, who wants to be Prime Minister of Wales, began by addressing a few sentences to the meeting in Welsh. The audience in the hotel in the north Wales coastal town of Porthmadog was a little disconcerted: when, after his 20-minute speech (in English) they asked questions, most turned out to have English accents.

They were concerned about the fallout from last year's referendum, when the Welsh voted narrowly in favour of their own parliament. What would happen if there were a Labour-dominated Welsh Assembly (a racing certainty) and a Tory government in Westminster? Would the nationalist tide in Scotland sweep over Wales? "Could the assembly get rid of the national curriculum?" one woman asked. Mr Morgan was a little nonplussed. "I think so," he said. "I think it's kind of thing that falls into the area of the assembly." "I hope that won't happen," said the woman, rather querulously. "Devolution is all very well, but education is for life. It all chips away at the solidarity of the UK."

Mr Morgan is the Labour MP for Cardiff West but the meeting was taking place in a stronghold of Plaid Cymru, the Welsh nationalist party. In this Welsh-speaking area, the political activists tend towards Plaid - leaving Labour with the English speakers. "Labour has a problem," says John Osmond, who runs a think-tank called the Institute of Welsh Affairs. "Its membership tends to be older and are often hostile to devolution." He appears to be his campaign's organiser as well as its star, and he is fighting a heavy-weight from his own party: Ron Davies, the Welsh Secretary, who has a Jaguar with a chauffeur and a campaign staff working from

Transport House, the Welsh Labour Party HQ in Cardiff. The vote by Labour party members to choose between the two men takes place tomorrow. There is not much difference between them: "They are both," says Wayne David, Member of the European Parliament for the Cardiff area, "in the Welsh tribute (soft-left) consensus, which covers almost everything."

The worries of the Labour members of Porthmadog are everywhere, and are a reflection of the thinness of Welshness as a set of institutions. The Welsh Office, the government's local executive body, was created only in the 1960s; Welsh wings of the Trades Union Congress and Confederation of British Industry came in the 1970s. North and mid-Wales are hard to reach from the south: the fast routes are east-west. Geographically, the three parts of the principality are closer to contiguous parts of England: the north to Merseyside, mid-Wales to the West Midlands, and the south to the Severn Valley and Bristol. Though the north-south division is the one most commented on, there is also, says Mr Osmond, an east-west fissure: the western side, more Welsh-speaking and poorer, the east more developed, more comfortable. In crude terms, the west voted yes to devolution last year, the east No.

As crudely, the younger you were, the more likely you were to vote Yes. "The generation formed by the war, and by the great national institutions like the health service and the nationalised industries created after the war, think in British national terms," says Mr Osmond. "For the under-40s, these are less potent. Many of the older Labour MPs here hate devolution and nationalism, because they were themselves formed by the same [post-war] process. Plus, the assembly will mean that they have an assembly member in their own constituency, competing with them to represent the people."

Welsh devolution is very different from that of Scotland. "We are about to create a new democracy in Wales," says Mr Davies. "In Scotland the institutions have been there for centuries - in the law, in the education system. The parliament comes on top of that. Here the parliament will be more crucial in creating institutions." Where Scotland claims autonomy as a right, and where Northern Ireland sees devolution as a way of settling its internal quarrel, Wales has sent forth an uncertain note.

In spite of the marginal popularity acceptance of devolution, the political tide runs strongly for it. Mr Davies, who is learning Welsh, is the first Secretary of State who seems to regard the job as an achievement rather than a stepping stone. The success of the Welsh Development Agency in attracting foreign investment has stimulated the call for stronger self-government. John Smith, now the MP for the Vale of Glamorgan, was instrumental in bringing together agencies and companies to

John Lloyd
on Britain

FINANCIAL TIMES

Bailing out
Russia's bank

Basque tunc

COMMENT & ANALYSIS

Russia's brave old world

John Thornhill says that Yevgeny Primakov is a blast from the past but cannot undo all the achievements of the Yeltsin regime



FINANCIAL TIMES

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Friday September 18 1998

Bailing out Japan's banks

The political deadlock over the future of the Long Term Credit Bank of Japan saw Japan's top officials meeting into the early hours last night in an attempt to reach a decision before the weekend. But the approach they are taking is fundamentally flawed.

Although the ruling LDP party has been reluctantly edging toward the opposition's plans to nationalise the weakest banks, it has so far appeared as keen as ever to inject public funds to save them. But as well as being very expensive, this would leave the Japanese banking system as overcrowded and unprofitable as ever.

The opposition's proposals sound more sensible. They suggest that the weaker banks should be nationalised, then wound down, so removing excess capacity and giving the other banks breathing space to rebuild their balance sheets.

This could work, if Japan's banks could be neatly separated into the sound and the unsound. The problem is that as Japan's politicians have dithered, the problems in the banking sector have worsened to a point where the entire banking system has been severely weakened. The rating agency Standard & Poor's earlier this week estimated that the banks' problem loans could total as much as Y151,370bn (\$1.21bn) - 30 per cent of gross domestic product.

In such a vulnerable banking

system, the closure of the weakest banks could have devastating knock-on effects. The Japanese prime minister would rocket, leaving many banks with very serious liquidity problems, and worsening the credit crunch. With the whole banking system in difficulties, a piecemeal approach could be very damaging.

One option would be to inject public money into those banks worth saving, at the same time as winding down those that are insolvent. The problem is that the bailout would have to be massive; and with the banks still privately owned, the benefit would accrue to the shareholders. This would amount to a huge transfer of funds from government to shareholders, which would surely be politically unjustifiable.

The unpalatable truth is that if the Japanese government really wants to rationalise its banking sector, while avoiding the risk of a total credit crunch, it has to carry out a widespread nationalisation programme, followed by closure of the worst banks, and recapitalisation and subsequent flotation of those that remain.

This would impose appropriate losses on shareholders, since the government would acquire ownership rights. It would also ensure that the banking system continued to function during the clean-up process. It would be a radical move; but it may be the only way for Japan to extricate itself from a desperate situation.

UK trade unions

As British union leaders met at their annual conference this week, they heard John Monks, general secretary of the TUC, herald the European corporatist model. It would provide, he argued, the "third way" the Labour government is seeking.

A more realistic comparison for Mr Monks would be with his US rather than his European comrades. As in the US, the TUC is an important interest group which funds the left-of-centre party. This buys political influence. And American unions offer their dwindling number of members a wider range of services, such as employee ownership schemes and pensions.

UK unions must similarly adapt to a changing world, as one interest group among many. They have won the minimum wage and progress on recognition. They can play a role in advancing members' interests in Brussels. But they are not going to get a seat at the economic table.

In theory, by putting the interests of the unemployed before those of employed insiders, corporatism can work. There is some evidence that this has happened in the Netherlands – although early retirement and disability benefits have been at least as important as tripartism. In Germany, however, the corporatist agenda has yielded levels of unemployment that should not be tolerated.

Such an approach, in any case, is at odds with Labour's economic philosophy. New Labour's

leaders hate the very thought. Mr Mandelson said the government was determined "not repeat the mistakes of the 1970s". That is an understatement: ministers are haunted by the memory.

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It is for union members to decide whether representation is worth their dues. Over the last 18 years a growing number have decided it is not. The precipitous decline in union membership is not only the result of Mrs Thatcher's attack on unions. It also reflects the fact that unions can no longer deliver the influence they aspire to. The TUC has made a partial adjustment to this reality. It has further to go. There can be no return to the good old, bad old days.

Basque truce

The Spanish government has reacted sceptically to the announcement of a ceasefire by Eta, the armed Basque separatist organisation.

Its caution is understandable: the truce could merely be a tactical manoeuvre ahead of the regional elections on October 25. And Eta is still demanding an independent Basque country, including a slice of France.

But this is Eta's first offer of a truce of indefinite duration and without explicit conditions. It raises a glimmer of hope that Eta and its political wing, Herri Batasuna (HB), have indeed learned something as they promised, from the five-month-old peace accords in Northern Ireland.

As long as there were two violent nationalist movements within the European Union, they could to some extent draw legitimacy, as well as training, from each other. Now that Sinn Fein, the political wing of the Irish Republican Army, has drawn most, if not all, of the gunmen into the Irish peace process, Eta may be feeling uncomfortably exposed before Basque public opinion.

The region's leading political force, the Basque National Party (PNV), has also very consciously been trying to exercise the same moderating role on HB as the moderate Irish nationalist SDLP. PNV's party did on Sinn Fein.

Parallels end here. The Basque situation ought to be simpler than Ireland, because Eta has no competitors and professes no loyalty to another state. In fact, it is more complicated, because the Spanish Basques have more autonomy, including tax-raising powers, than Northern Ireland ever did – yet that is not enough for Eta. While mainstream UK political parties have long agreed on the Northern Irish issue, Spain's nationwide parties do not speak with entirely one voice on terrorism and Eta.

The government's task must now be to somehow make it politically pernicious for Eta to go back on its ceasefire. So far it has pursued a policy, rather than a political solution. The danger now is that it may see the truce as a sign of Eta's weakness, vindicating its unrelenting crackdown.

If the truce holds beyond October 25, the government should respond with some gesture, perhaps returning some Eta prisoners to the Basque region.

For its part, Eta should disassociate itself from any hope at this stage of direct negotiations with Madrid on independence, and pitch into politics in the Basque region. Then, perhaps one day there is a chance of moderate Basques joining with fellow nationalists in Catalonia and Galicia, to exploit the democratic potential of an increasingly federal Spain.

The Yeltsin years are ending in failure.

When Boris Yeltsin stood on top of a tank outside Moscow's White House in August 1991 and faced down a hardline Communist coup, it seemed as though he had launched a new era of liberation in Russian history. The world's biggest country would cast off the shackles of its totalitarian past and command economy and embrace the values of a liberal democracy and a market society.

Seven years later, that interpretation of events looks hopelessly simplistic. The young reformers who were the intellectual driving force behind Russia's progress into that brave new world have been jettisoned by Mr Yeltsin and discredited in the country at large. In their place have returned the grey men of the late Soviet era, whose beliefs and instincts were moulded by the tenets of Marxism-Leninism, and who mutter increasingly loudly about the re-imposition of state controls in the economy.

Such men as Yevgeny Primakov, the newly-appointed 58-year-old prime minister, and Yuri Maslyukov, the former head of Gosplan, the Soviet state planning agency, who will run economic policy represent the cream of the old Soviet elite. They are decent, pragmatic, patriotic bureaucrats, what one political observer has called the "charming Communists" who stayed loyal to their principles and did not jump on the capitalist bandwagon in pursuit of a quick roulette.

Under their influence, Russia may be returning not to the stagnation of the late Soviet era but specifically to the path the country did not take in 1981-92. Then, the liberal wing of President Mikhail Gorbachev's establishment formulated the concept of *perestroika* (restructuring); it is now regaining its influence in the absence of their former leader. A cluster of *perestroika*-era economists, including Leonid Abalkin and Oleg Bogomolov, who have for the past seven years been churning out obscure journals in musty institutes, have found themselves once again at the centre of attention. It is possible that future historians will see Mr Yeltsin's reign as a brief interlude in a longer-run continuum in Russian history, rather than as a radical break with the past.

In the economic field, Mr Yeltsin's proudest boasts were that he had privatised the bulk of industry, liberalised the trade regime, stabilised the ruble and purged the country of inflation. Those achievements are all being called into question.

Leading politicians are now demanding that "criminally-privatised" enterprises be nationalised. Victor Gerashchenko, the new head of the central bank, wants to re-establish currency controls. The central bank yesterday said that it would start printing money to pay off the state's backlog of unpaid wages and to bail out banks. The ruble's value has already been washed away in the winter of deva-

the paralysed banking system. In the political field as well, Mr Yeltsin's achievement is coming unstuck. The heart of the post-Soviet political settlement was his constitution, adopted following a bloody clash with the parliament in 1993. In it, the president was Russia's central political figure, far more powerful than the legislature and able to fire the prime minister at whim. Mr Yeltsin is still in office but his dominance is being undermined as an increasingly assertive parliament wrests more authority from him. He cannot in practice fire his new prime minister without provoking an even greater political crisis. And, with once strongly pro-Kremlin regional leaders calling for a "rebalancing of powers" between the executive and legislative branches, Mr Yeltsin is being forced to concede that his previous constitution may have to be rewritten.

For all this, however, it is evident that Russia today is a very different country from that of 1991 and that the new leadership cannot turn the clock back to the late Soviet era, even if it wanted to. Some achievements of Mr Yeltsin's regime may be dismantled but a few fundamental reforms are likely to prove longer-lasting.

Yevgenia Albats, an influential

journalist, argues that for all his faults Mr Yeltsin has brought about some basic changes in Russia that the new leadership will not be able to ignore. He has, she says, lifted fear from the shoulders of the Russian people, bestowing on them the gifts of freedom of speech and religion and the opportunity to own property, travel abroad, and take responsibility for their own lives.

"Russia was a country of slaves for centuries... I know what it is

oppression in dealing with black market traders who attempt to circumvent future price controls.

For his part, Mr Primakov denies any intent of pursuing a "Red Revenge" and argues Russia must reshape rather than uproot the reform process. He has called for more emphasis to be placed on the "consolidation of society" and the development of the "real economy", rather than fruitless financial speculation.

Trained as he was in the theory of dialectical materialism,

Mr Primakov appears to believe that the historical thesis developed in Soviet times combined with the anti-thesis of the Yeltsin era will now produce a synthesis under his administration.

"Consistency in pursuing the policy of reforms is guaranteed. Nobody should have any doubts," he said in a recent television interview, praising the development of a commercial banking sector and the temporary achievement of macro-economic stability over the past few years.

But he added that such accomplishments should not be regarded as ends in themselves.

"All this should serve the development of the national economy, the development of industry. The purpose is that people should be paid their wages, should have employment."

Andrey Ilarionov, a liberal economist, argues that the single

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RECRUITMENT



RICHARD DONKIN

Nurture vs nature

Some psychologists believe ingrained behaviour will always dominate office life

Talent does not exist. It is a myth which should be demolished, a study said last week. The research, led by Michael Howe, professor of psychology at Exeter University, would appear to have important implications for recruitment and the development of individuals in the workplace.

The study challenges some enduring tenets underpinning most western educational systems, and the comparatively new ideas on evolutionary psychology that human behaviour is embedded in your genes.

Only last month in the Harvard Business Review Nigel Nicholson, professor of organisational behaviour at London Business School, argued that people were predisposed to adopt certain behaviour ingrained during the stone age.

By this argument the removal of designated parking spaces and corner offices for executives, he suggests, is a waste of energy because it is natural, for men in particular, to seek out status and to establish hierarchy. The

office, it seems, can be as symbolic of executive power as the throne is of kingship.

Prof Nicholson comes from a long line of behavioural geneticists who have tended to hold the whip hand in the development of selection processes for most of this century. He asserts that "there is little point in trying to change deep-rooted inclinations". Thus, with regard to leadership he concludes that "the most important attribute for leadership is the desire to lead".

This may hold true for the leader but does it hold for those who are led? It could be argued that the self-driven cult of the leader has been at the root of the 20th century's most destructive episodes. Is it wise for any organisation, be it corporate or governmental, to allow the natural emergence of leaders? Should not leadership, like any other executive function, be determined by the demands of the office?

The belief in predisposed behaviours does seem compelling, particularly

when Prof Nicholson points out that any parent of several children is aware of the differing personalities among their brood. But how can it be squared with the theories of those, like Prof Howe, who argue that excellence is not inborn but determined by a variety of factors such as opportunity, encouragement and endless practice?

The Exeter research noted that the ability of violinists, for example, tended to depend on practice. Equally, practice appeared to ensure that waitresses could remember far more drinks orders than a control group of students. It was wrong to assume, therefore, said the report's authors, that a person needed talent to reach high levels of ability.

It seems a shame that academics should adopt such polarised views but after listening to a talk by Edward de Bono given to the Academy for Chief Executives in London last week it is no longer surprising. Mr De Bono suggested that sometimes people can know too much. "A lot of people with high IQs get stuck in the intelligence trap," he said.

"They have a point of view and the more intelligent they are the better they are likely to be at defending their argument. Many excellent minds are trapped in poor ideas. That is not excellent thinking."

This could be one of the problems of the nurture versus nature debate. If one side were to suggest that the search for talent can be misplaced it might find many more in agreement. In the same way personality traits could be accepted more readily if there was greater acceptance among those attracted to the idea of genetically inspired behaviour that people can easily be moulded by their environment.

What is the point of intelligence, after all, if it supports a conviction that turns out to be wrong? Wasn't it Keynes who admitted: "When the facts change I change my mind. What do you do sir?"

Leap in US CEO pay
The extent to which the salaries of US executives have shot ahead of those of other workers in the past 10 years has emerged in a new compilation of employment statistics.

The pay of US chief executives, including bonuses, grew by 44.6 per cent between 1988 and 1997, far beyond than in any other occupation. The biggest leap occurred in the recovery years between 1992 to 1997 when chief executive pay

CEO pay in advanced countries					
	CEO compensation		Ratio of CEO to worker		US pay relative to foreign pay, 1997
	1988 \$'000	1997 \$'000	Change 1988-97	%	US = 100
Australia	184.7	476.7	292.0	16.0	82.9
Belgium	328.3	470.7	142.4	13.0	52.2
Canada	362.2	440.9	21.7	12.0	48.9
France	340.0	522.5	51.3	15.0	58.1
Germany	362.7	423.9	20.2	11.0	47.0
Italy	250.1	450.3	52.7	16.0	50.0
Japan	430.1	367.7	-7.5	10.0	44.1
Netherlands	332.2	442.9	110.6	14.0	68.1
Spain	301.2	323.8	20.7	15.0	37.0
Sweden	200.8	340.7	140.7	11.0	47.8
Switzerland	450.9	465.2	14.3	10.0	51.8
UK	380.0	488.2	20.8	12.0	54.3
Non-US average	327.5	428.6	101.1	12.0	48.0

Source: *The State of Working America 1998-99*

rose 36.6 per cent.

These figures do not include profits made on share options. If these are taken into the calculations the full compensation of chief executives doubled over the 1988-97 period, growing by 71 per cent in the five years after 1992.

The clearest illustration of the growing gulf between the pay of US executives and other workers is the increasing ratio of chief executive pay to that of the average worker. In 1978 the chief executives of large US companies earned 28.5 times more than an average worker. In 1988 it had grown to 68.1 and by 1997 it was 115.7. In 1997 a chief executive needed to work half a week to earn what an average worker earned over a whole year.

As the authors demonstrate US executive pay has not only forged ahead of other workers' pay, it has been moved well ahead of that available for executives in other countries.

This is demonstrated by the index on the right hand side of the table here which sets US pay equal to 100 so that any index value less than 100 shows that a country's executives earn less than those in the US.

The authors point out that the index shows that US chief executives earn double the average of the 12 other industrialised countries in the comparison and no country has executives which get paid as much as 60 per cent that of their US counterparts.

* *The State of Working America 1998-99, Economic Policy Institute, tel 001 202 775 8210, to be published in January by Cornell University Press*

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Service to help personnel managers cope with Emu

£6m to £24m. A restructuring of Mexico's social security last year increased costs for some companies by millions of dollars.

"Sweeping change in public and private programmes is a truly global phenomenon," says Nigel Esteman, head of the firm's UK-based international benefits consulting practice.

The report, *Retirement Income Around the World*, analyses retirement systems in 17 countries, ranking them in terms of the percentage of overall benefits provided by private employer plans. The UK is third in the rankings behind Hong Kong and Australia but ahead of the Netherlands, Canada and the US.

Dates: 001 822 525 6747

Social security
An even greater problem than the euro could be the way companies will be caught out by changes in social security laws aimed at shifting the burden of retirement benefits from the state to the corporate sector. A new report from Towers Perrin shows that reform of national social security laws can have a serious impact on company overheads.

Recent reforms in France, it says, increased the liability of one multinational from

Job market data collected by the UK's Federation of Recruitment and Employment Services in August suggests that a tightening labour market is continuing to drive up salaries and that in spite of recession fears demand for staff in most sectors is still high. The only evidence of an easing of recruitment growth is a slowdown in demand for unskilled manufacturing workers.

Anne Fitzpatrick +44 1235 318000

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RBS Cards is a new division of The Royal Bank of Scotland Group and responsible for management of all Royal Bank of Scotland, RBS Adams and affinity and co-branded credit cards. It has been formed through a merger of its substantial existing cards business and the highly successful and now wholly-owned RBS Adams. It is one of the fastest growing and most innovative card companies in the UK and already the fifth largest issuer of VISA and Mastercard credit cards in Europe. Very ambitious targets have been set with the creation of this new unit and two outstanding opportunities exist to be highly influential members of the senior team.

Salary packages will reflect the importance of these roles.

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- Candidate will bring a number of years' experience managing risk. They will have strong strategic vision, technical and professional knowledge, well-honed analysis, judgement and problem solving skills and a range of softer skills encompassing leadership, teamwork, communication and persuasiveness.

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Andersen Consulting is the world's leading management and technology consultancy. Our continual growth has been achieved through our unique ability to create business solutions that integrate expertise and experience across the full range of business needs - strategy, technology, processes and people. It is this integration that allows us to create our business solutions and for those seeking far-reaching change, only Andersen Consulting brings the insight, practical know-how and global, integrated capabilities to help them achieve success.

The firm's ongoing development has created opportunities for a small number of high-calibre financial analysts to apply their skills within an intellectually and personally demanding context. These exceptional individuals will join the Global Deal Services team, which is responsible for shaping and structuring the firm's \$ billion outsourcing, enterprise and value-based consulting activities. They provide high-level commercial support to partners across the practice and structure commercial arrangements between Andersen Consulting and its clients through contract negotiation.

Global Deal Services currently numbers some 60 staff worldwide but plans are in place for continued growth. This provides outstanding scope for ambitious professionals who have the dedication and resilience to achieve in these exacting roles. A professional accountancy or finance qualification is essential. Fluent English should ideally be matched by knowledge of one or more other European languages. Substantial travel will be involved.

Senior Managers

£65,000-£70,000 + benefits

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You'll work on complex multi-national, multi-currency deals which cross both geographical and cultural barriers. We would expect to see at least seven years' experience in a major corporation or city institution, giving financial expertise that is both broad and deep. An above-average intellect will be matched by a high degree of competence in financial modelling techniques, accounting concepts and budgeting techniques. The ability to think globally yet focus sharply on detail is vital, as are strong communication skills, good judgement and personal confidence.

To find out more, please contact our advising consultants, quoting reference AC62: Talisman Resourcing International, River Wing, Latimer Park House, Latimer, Chesham, Bucks HP5 1TT. Telephone: 01494 546600. Fax: 01494 546622. E-mail: ac62@talismanis.co.uk

For more information, please visit our website at <http://www.ac.com>

ABN·AMRO

Equity Research Analysts

Middle East & North Africa (MENA)

ABN AMRO has decades of experience in the Middle East and North African economies, currently employing over 1,500 staff in the MENA region. Through one of the widest regional network of offices, ABN AMRO offers universal banking services to its local, regional and international clients. It is now expanding upon this strong base through its capital markets activities. With one of the most experienced MENA capital market teams, ABN AMRO is to strengthen its equity research team and is recruiting analysts in London and in the MENA region.

The role of the analyst will include:

- Publication of equity research on the markets of the Middle East and North Africa.
- Frequent visits and service to our Institutional and Corporate clients.
- Regular contact and interaction with the dedicated Equity Sales, Equity Capital Markets and Corporate Finance teams.
- Responsibility, as part of the MENA team, for broadening ABN AMRO's profile through extensive marketing in the MENA region and globally.

Potential candidate's profile will show:

- Experience, preferably in equity research/accounting.
- Good academic background with demonstrable writing and analytical skills.
- Fluency in Arabic essential, with French an advantage.

Please send your CV, with current remuneration package, to:

Mr Angus Blair, Head of Equities, Middle East & North Africa, ABN AMRO Equities (UK) Ltd, Beauchamp House, 15 St Botolph Street, London EC3A 7QZ. E-mail – angus.blair@abnamro.co.uk Tel: +44 (0)171 678 5340. Fax: +44 (0)171 678 5620.

EUROPEAN RESEARCH ANALYST

Real Estate Fund Management - International Bank

Central London

Our client, a British bank international in flavour, has successfully developed a range of niche businesses including property lending. Success in this field has led them to establish a new Real Estate Fund Management department. A new opportunity is now available for a European Research Analyst to join this small specialist team to provide research support for future property investment decisions and transactions.

Based at the Central London HQ, your wide ranging responsibilities will include:

- researching European property markets
- sourcing and co-ordinating external research services
- producing high quality marketing material for clients
- presenting research findings to clients

You are likely to have around 3 years' commercial experience and be familiar with a number of European markets. Whilst a knowledge of commercial property is desirable, it is not essential. Educated to degree level in economics or a similar discipline, you will be able to combine research skills with first class written communication abilities. You will be computer literate and capable of working to an advanced level on spreadsheets.

Competitive remuneration package.
Please send a full CV and covering letter to Linda Steel, at Ideachange Ltd, Human Resource Consultants, Horseshoe House, Bledlow Road, Princes Risborough, Bucks HP27 9NG, or telephone her confidentially on 01844 275788 (office), 275906 (fax) or 01844 274957 (eve/weekends). E-mail: enquiries@ideachange.com

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Excellent Tax Free Packages

Candidates interested in these opportunities should send their CV, in strict confidence to Philip Wright or Brian Jarvis.

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E-mail: executive@devonshire.com

SENIOR CREDIT MANAGERS US\$80k-150k plus bens
We have a strong demand from Gulf-based clients for senior bankers with in-depth knowledge of the credit function at executive level. Proven track records in credit analysis are essential and candidates with backgrounds in risk management and credit administration are also sought. Strong communication and management skills are vital as these roles are integral to the promotion of the bank's profitability and income objectives. Providing high profile guidance to our client banks' business units. Fluency in Arabic is preferred.

CORPORATE RELATIONSHIP OFFICERS c.US\$85k plus bens
Our client, a prime regional bank, seeks to expand its corporate banking team by the appointment of a number of experienced bankers to develop and maintain corporate relationships. The ability to devise highly focused marketing programmes using state-of-the-art existing management information will be backed up by strong financial analysis and product packaging skills. Knowledge of the region is an advantage but not necessary.

FINANCIAL CONTROLLER £60k+ plus bens
A major Gulf based bank seeks urgently a qualified accountant to manage the integrity of the bank's balance sheet and operating results. As a full service commercial bank, business sectors include wholesale and retail banking, treasury and capital markets. Strong emphasis will be placed on MIS skills and proven expertise in this area and its systems is required in addition to well developed analytical skills and computer literacy.

LOAN SYNDICATIONS MANAGER £ negotiable
This leading Gulf based banking group requires a Syndications Manager to join its head office unit. Candidates will have extensive hands-on experience in all aspects of both origination and distribution, preferably with Middle Eastern credits. Knowledge of capital markets and project finance would be an advantage.

Devonshire executive
A MEMBER OF THE DEVONSHIRE GROUP PLC

Internal Communications Specialist

London

Our client is one of the world's pre-eminent global investment banks with a reputation for vision and excellence. The European IT department is a high profile successful business unit and now they require an individual to act as an Internal Communications Specialist.

- ◆ Reporting to the Head of Information Technology for Europe and Asia, you will have full strategic and operational responsibility for all internal communications programmes for the European IT department.
- ◆ You will facilitate and deliver communications programmes at a regional level that are in line with global communications objectives.
- ◆ Complete responsibility to keep abreast of technical developments in the communications field, particularly the Inter/Intranet technologies and be able to advise and make recommendations to colleagues and local management of the developments.
- ◆ Play a key role in the successful delivery of the conferences and events initiatives. You must be able to plan, implement and evaluate the outcome of these activities.



Michael Page
SALES & MARKETING



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Requirements:

- ◆ Of graduate calibre with a proven track record of successfully delivering internal communications strategies within a technical environment.
- ◆ Intellectually bright with the gravitas and maturity to influence a diverse range of senior level individuals.
- ◆ You must be able to demonstrate an understanding and have worked successfully with Inter/intranet based technologies.
- ◆ You will be a results driven communications specialist who will take ownership of projects, adhere to strict guidelines and deliver to the very highest level.

To apply, please forward a current curriculum vitae to our retained consultant, Frazer Wilson at Michael Page Sales & Marketing, Savannah House, 11 Charles II Street, London SW1Y 4QZ. Please quote reference 446140. E-mail: frazer.wilson@michaelpage.com www.michaelpage.com

Deutsche Financial Services European Counsel

With headquarters in St Louis, Missouri, Deutsche Financial Services (DFS) is an international leader in financing and servicing programmes that facilitate the distribution and sales process. It provides flexible finance programmes tailored to the specific needs of its clients' businesses ranging from inventory financing through to asset-based lending and end-user financing. DFS's managed loan portfolio exceeds US\$7 billion and is a unit of the Deutsche Bank Group. With assets of US\$350 billion, Deutsche Bank Group is one of the largest financial institutions in the world.

Amsterdam

A senior lawyer is now required to service the group's current European legal needs and manage legal affairs in DFS's expansion into Western Europe. Based in the expanding Amsterdam office and reporting directly to the General Counsel, St Louis, you will be an integral part of the global legal group and will work autonomously alongside the business in Europe.

Your profile:

- ◆ A European qualified lawyer with approximately five years post qualification experience in general finance including asset finance, secured lending, conditional sale

To find out more about this opportunity with a truly global organisation, please contact our exclusively retained consultant, Catherine Brown on 0171 269 2484 or write to her enclosing your CV at Michael Page Legal, Page House, 39-41 Parter Street, London WC2B 5LN. Fax 0171 405 2936. This assignment is being handled exclusively by Michael Page and all direct or third party applications will be forwarded to them. E-mail: catherine.brown@michaelpage.com www.michaelpage.com

Excellent Package

structures, factoring and syndicated loans. Knowledge of local credit license regulation is also useful but not essential.

- ◆ Fluency in English, plus a second European language, is highly desirable given the global nature of DFS's business as is an understanding of EU regulations.
- ◆ Capable of working autonomously and liaising directly with internal project groups, you must be able to effectively manage external counsel and take a pragmatic, pro-active approach to legal work, fully integrating yourself into the business.

Michael Page
LEGAL

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How should the capital adequacy of banks be regulated? The decision is yours...

Manager, Credit Risk

The Financial Services Authority (FSA) will be the new integrated regulatory authority for the UK financial services industry. Its scope will ultimately extend to banking, securities and investments, building societies, insurance, friendly societies and credit unions. Our banks policy department is responsible for interpreting and developing prudential supervisory policy in relation to banks (and, in due course, building societies). This involves looking at all aspects of the supervision of banking groups, with a particular emphasis on the establishment of capital requirements for credit and operational risk.

We are now looking to appoint an individual with the substantial level of experience and knowledge to manage a team developing the framework for assessing supervisory policies on credit risk. Your role will include taking the lead in consultations on an international level reviewing the international rules for banking supervision (especially at the Basle Supervisors Capital Sub-group). To manage the efficient and effective implementation of these processes, you will be expected to

undertake a significant amount of credit risk modelling work whilst focusing on the refinement of more traditional methodologies.

This is a high profile position within this prestigious new regulatory body, and consequently we are looking for an individual with the confidence, credibility and charisma to pursue the UK's aims in international negotiations. You must also demonstrate a strong understanding of policy in this area and the ability to understand new complex structures, supported by first class managerial and interpersonal skills.

Interested? Then please call 0171 629 6204 for an application form.

Closing date:
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You know us as one of the world's leading insurers. As a global player we hold shares in world renowned companies and invest on all the major international capital markets. There is a vacancy for you as

Financial Analyst Capital Markets and Financing

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It will be your job to analyse and assess new capital market instruments. Furthermore you will perform peer group comparisons according to aspects of the capital market. Included among your tasks are managing international stock market launches plus special jobs such as rating or personnel participation programmes - always reporting back to the Board.

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Following the attainment of an excellent degree in business studies, you possess in-depth knowledge and preferably professional experience in Investment Banking/Capital Market. You are well versed in the relevant financial and mathematical methods and ideally you

have also obtained an MBA with Corporate Finance or a similar subject as your speciality. Your English, and if possible a further foreign language, is so fluent that you can negotiate with confidence. Ideally, you have already been able to prove your qualities through your engagement in demanding projects abroad.

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You will work on the most fascinating tasks currently known on the international capital market. Equally varied are your prospects of advancement. The conditions offered for this position comply in full with the demands we make of you. Please contact us if you feel that this vacancy is for you.

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Investment Banking

Die Bank: Ein bedeutendes, erstklassiges Kreditinstitut mit Universalbankcharakter und Stützpunkten an allen bedeutenden Finanzplätzen der Welt. Im Rahmen des weiteren Ausbaus des Kapitalmarkts-Geschäfts möchte die Bank mit Sitz in Deutschland ihr Investment-Banking-Team verstetigen. Wir suchen für diese erste Bankadresse, neben erfahrenen Persönlichkeiten, auch jüngere Mitarbeiter mit ersten vertieften Kenntnissen in den angesprochenen Bereichen, die in diesen Aufgaben eine Chance zur Realisierung ihrer Berufsziele sehen:

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Die Aufgaben: Management des bedeutenden DM-Swap- und Options-Buches im mittel- bis langfristigen Bereich, einschließlich des Pricings strukturierter Produkte.

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Unser Projekt: TNS

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Die Anforderungen: Drei bis fünf Jahre Berufserfahrung als Portfoliomanager oder als Analyst, gerne auch mit quantitativen Ansätzen. Kenntnisse der europäischen Märkte, eventuell der Emerging Markets erwünscht; Englisch selbstverständlich.

Unser Projekt: TPN

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Die Anforderungen: Einige Jahre im Handel europäischer Aktien und Indizes, Know-how im Umgang mit Derivaten, Teamorientierung sowie Englischkenntnisse und, für die Gruppenleitungsfunction, möglichst Führungserfahrung.

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Rabobank International is a major division of Rabobank Nederland, one of the world's leading international banks with assets in excess of NLG390 billion and a AAA credit rating.

In support of a senior level search, Rabobank has identified a requirement for a number of London-based experienced corporate financiers. The London-based Strategic Advisory / M&A team, as part of a global M&A network, operates as a research-driven, sector based advisory group and concentrates on the Bank's four main focus sectors: Food & Beverages, Transport & Logistics, Healthcare and Financial Institutions.

Applications are invited from individuals as detailed below, although more senior applicants will also be considered. At Associate Director and above, candidates with relevant sector experience, whether gained within an investment bank, the strategic planning division of a UK or European corporate or a major management consultancy will be given priority.

ASSOCIATE DIRECTORS

- Degree plus additional qualifications (ie ACA/MBA).
- Minimum of 5 years' relevant experience of transaction execution either within investment banking, industry or management consultancy.
- Experience of cross-border M&A and corporate advisory.
- Recent UK domestic City Code experience optional but an advantage.
- Strong technical/modelling skills.
- Ability to manage "hands-on" transactions with a great deal of independence.
- Ability to participate in high-level client presentations and ongoing client contact.
- European language skills would be an advantage.

Interested candidates should send their resume in strict confidence, including current remuneration, to Sam Dewhurst at:
The Berwick Group, 51 Lincoln's Inn Fields, London, WC2A 3LZ. Tel: 0171 404 6446 / Fax: 0171 404 6062 / E-mail: bergp@dircon.co.uk

EXECUTIVES

- Degree plus additional qualifications (ie ACA/MBA).
- Minimum of 1 year's Strategic Advisory/M&A or Corporate Advisory experience in a leading investment bank or corporate.
- Excellent computer financial modelling and analysis skills.
- Demonstrable transaction exposure and experience in researching and supporting client presentations.
- European language skills would be an advantage.



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Vice President & Associate Levels
Commercial Real Estate Analysis & Finance
London

Moody's Investors Service

Analysing the Key Transactions in Commercial Real Estate.

Moody's Investors Service, the international credit rating agency, has built a worldwide reputation for its credit analysis. Opportunities exist within our Structured Finance Group, at both the Vice President and Associate level, for individuals who wish to specialise in the analysis of commercial real estate assets and related financings. These include complex and innovative securitisation structures and principal finance transactions across all the major European markets and property classes.

Moody's Vice Presidents are primarily expected to lead our analysis of specific transactions and to further develop our rating methodologies in this rapidly growing market. These are high-profile positions and candidates must be able to conduct operational reviews of borrowers, interact with market participants and members of Moody's rating committee, and represent our opinions through industry conferences and publications.

Applicants for the Associate position will be expected to provide in-depth analytical support and research for

Moody's Senior Analysts, contribute to special publications and to interact with investment banks, debt issuers and investors. We are looking for people who will eventually lead our analysis of individual transactions, as the Structured Finance Group has a strong track record of internal training and promotion.

Knowledge of securitisation would be ideal, but is by no means essential. Knowledge of commercial real estate or real estate lending is vital for both positions. Cashflow modelling skills and European languages would also be attractive.

Moody's excellent compensation package and friendly working environment are designed to attract the highest quality candidates. Placements in our international offices may also be available to the right candidate.

Please write with full cv, including current salary details, to Dominic Swan, Moody's Investors Service, 2 Minster Court, Mincing Lane, London EC3R 7XB.

VALUATION RISK ANALYST

GLOBAL FINANCIAL SERVICES COMPANY

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THE COMPANY

Our client, an investment bank operating in more than 55 countries, offers integrated, innovative and value-added services. The Risk Management Division is one of five business lines providing derivative solutions to customers worldwide. As a result of an ever increasing complex product range and internal promotion, our client requires an exceptional individual to form part of a Global Management team based in New York.

THE ROLE

The role offers an in-depth exposure to valuation and risk issues covering the most innovative derivative products across all markets, including:

- A primary focus on exotic products
- Development of models to independently verify product valuation and risk
- Assessment of risks associated with new products and existing businesses to determine valuation methodologies
- Post and pre-execution deal analysis
- Close liaison with Traders, Product Controllers, New Product Development teams and Risk Managers

THE PERSON

This position would suit an individual with a mathematical bias and an interest in developing the breadth and depth of their knowledge of complex financial derivatives.

Successful candidates will be:

- A US National or Green Card Holder
- Self-motivated
- Able to articulate the solution clearly and concisely with Senior Management
- Competent in Programming (C++ or similar)

You should enjoy the intellectual challenge of solving complex problems and:

- Have a strong mathematical/quantitative background (ideally a PhD)
- Have at least two years' experience in Financial Modelling and Derivatives

If you have the qualities to succeed, please send a full résumé in the strictest confidence, quoting reference no FT328 to:

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- It represents an excellent opportunity for a self-motivated, ambitious, energetic individual to get to know the Group's operations with first class prospects of a general management position in the UK or overseas in two to three years. Language skills would be distinctly advantageous.

Please apply in writing quoting reference 2905 with full cv and salary details to:
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THE ROLE

- Reporting to the VP Marketing of the EMEA region, take responsibility for business development, and the determination of strategy and its execution as one of the European team.

- Develop a detailed understanding of the consumer banking sector in the region, identifying competitive pressures and trends. Develop a future strategy for growth to include acquisitions, investments, partnerships and special relationships.

- Work closely with internal and third party advisers in targeting prospective acquisitions, handling all aspects of due diligence, negotiation and integration planning. Define and manage an ad-hoc team at the European headquarters, looking to meet aggressive expansion targets.

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European Private Equity Business Development - Germany

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Equity Capital Group is the private equity arm of GE Capital, one of the largest and most diversified companies in the world. GE Capital is itself a division of General Electric®, one of the more formidable enterprises in the world with global manufacturing, technology and service operations.

Equity Capital Group will make \$700m of private equity investments in 1998 in a wide range of businesses, bringing not just money, but access to the world-wide resources and expertise of the parent companies. Particular focus areas include Telecommunications, Media, Financial Services, Transportation and Manufacturing. Investments are made across Europe from a Head Office in London and local offices and we recently opened in Frankfurt.

Our expansion calls for an experienced Business Development Associate to assist in the origination and be responsible for the evaluation of potential investments in Germany. You will have a business/numerate degree/MBAs and be fluent in German and English.

Please write in English to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref: EFT7805/FT.

Frankfurt based
and proven financial analytical experience. Fluent German and experience of the German domestic market and culture is essential. Private equity transaction experience is not required, but your experience must include 3-5 years working on corporate finance, M & A, structured or project finance transactions.

You must enjoy working in a small team and be self-sufficient. GE Capital is firmly committed to a policy of career progression within the group world-wide and other major European languages in addition to German and English will be an advantage.

An excellent package will be negotiable.

Please write in English to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref: EFT7805/FT.

CJA, 2 London Wall Buildings, London EC2M 5PP.

Tel: 44 171 638 0800 Fax: 44 171 256 8501

E-mail: cja@online.rednet.co.uk



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GE is an equal opportunity employer
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For this new appointment we invite applications from graduates with 4-6 years' experience of retail marketing within the financial sector. Exposure to available marketing tools and regulatory issues affecting the spectrum of sales to the retail market will be important. A second European language, preferably German or Dutch, will be key. Due to the rapid expansion of the Pan-Continental Europe distribution our client is looking for a highly motivated self-starter to report to, complement and support the European Retail Sales Co-ordinator. The overall market covers UK, France, Italy, Germany and Benelux. However, your main focus is expected to be Germany and the Netherlands. Specifically, your role covers: supporting the launch of the funds in the above locations; assisting in the product innovation and implementation process; devising imaginative marketing tools as well as driving participation in Internet sales activities. Essential qualities are high energy levels, flexibility, an entrepreneurial approach to European market development and the ability to work as solus operator as well as a team member. 25% away travel should be expected. Initial salary negotiable in the range £50,000 - £70,000, plus performance related bonus and large company benefits. Applications in strict confidence under reference EMD7799/FT to the Managing Director, CJA.

FIXED INCOME SALES

London

£Excellent Basic + Bonus

A leading Global Investment Bank seeks exceptional salespeople with at least 3 years experience in Fixed Income Sales to Institutions or Hedge Funds. Outstanding individuals are required to cover new- and existing clients in Switzerland / Germany / Italy. Your own client base would be an advantage. A comprehensive technical knowledge of Fixed Income / Structured / Derivative Products, coupled with presentation and marketing skills gained within a Bond Sales / Trading role are required. A relevant second European language is essential. Applicants should have excellent academics, good communication skills and the ambition to succeed in a dynamic, meritocratic organisation.

Please send CV or contact Ingrid Gottschalk at Rizwan Nash,
21 Ellis Street, London SW1X 9AL
Tel: 0171 730 4211 Fax: 0171 730 0611



Rizwan Nash

Venture Capital

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Excellent Rewards

as would familiarity with advanced or emerging technologies.

The role demands strong commercial acumen combined with the ability to build effective, long-term business relationships with the senior management of investee companies. To meet this challenge you will require first-rate analytical skills, drive, empathy and resilience.

In the UK we are looking to recruit candidates across all regions.

Opportunities also exist across Continental Europe for candidates with relevant multi-cultural experience and language skills.

These are outstanding career opportunities offering excellent rewards both in terms of remuneration and professional challenge.

Please reply in confidence, enclosing a full curriculum vitae, current salary details and quoting reference E2048, to: The Managing Director, Alexander Hughes Selection, 14-16 Lower Regent Street, London SW1Y 4PH or you can e-mail us at baldwin@ahslondon.co.uk

ALEXANDER HUGHES

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Equity and Investment Banking

Our client is one of Europe's largest banking institutions.
Their stockbroking arm is seeking to recruit two senior individuals:

Business Manager

This role is key to the growth and strategy of the business and will encompass global responsibility for systems, operations risk management and finance functions. The candidate will join the senior management team of the Equity and Investment Banking business, initially focusing on developing and running a detailed management information system which will increase in sophistication over time to facilitate efficient management of the business.

Extensive experience at senior management level, plus an advanced knowledge of the equity markets and the ability to build a sophisticated MIS is therefore essential.

Candidates should be of MBA calibre, fluent in English, German and have at least one other European language.

Please write in confidence to Ben Worsley at MorganHunt or email ben.worsley@morganhunt.com

Global Head of Marketing

Reporting to the Global Head of Equities, the candidate will be responsible for building up an account management system to optimally service the global client base with the full equity product range of the business. The role will extend to managing the activities of the sales teams on an integrated basis.

Candidates must have a proven track record in global equity sales distribution and will be able to demonstrate excellent management skills. They must also be fluent in English, German and at least one other European language.

Competitive packages including bonus and full benefits are available for the successful candidates.

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£35,000 - £55,000 + BONUS

WELL-ESTABLISHED FINANCIAL SERVICES BOUTIQUE

Applications are invited from candidates, aged 27 - 32, preferably qualified either as Accountants or Lawyers who will have acquired at least 2 years' corporate finance experience within a stockbroker or merchant bank. Responsibilities are widely drawn and will cover initial public offerings, M&A and documentation - mainly for smaller companies. Close liaison will be maintained with stockbrokers, accountants and lawyers. The qualities of polish, tact and tenacity are important plus the ability to contribute to the organisation's further successful growth. Initial salary negotiable £35,000 - £55,000 plus profit related bonus, contributory pension and private medical assurance. Applications in strict confidence under reference CFE7801/FT to the Managing Director, ALPS.

Corporate Assistants

Apply your analytical experience and your operational talent in a high-potential position within an international group!

We are a privately held industrial and services group. A truly global player, our business operations grow continuously generating sales of about US \$ billion. Our activities are organised in four regions, i.e. Europe/Middle East/Africa ; Asia/Pacific ; North America ; South America.

To support our Chairman & Owner and the General Manager of our holding companies with the formulation of corporate strategy, the control of operations and investments and the implementation of state-of-the-art financial management tools we are recruiting

Assistant to the Chairman

(ref. AC/01)

Assistant to the General Manager

(ref. AG/02)

You will assist our Executives in their business development and portfolio optimization efforts. You will be entrusted with investment and acquisition briefs and analytical projects. At a central position within our organization you will recommend corporate decisions and monitor their proper implementation.

Furthermore, in a team coached by the General Manager, you will be given responsibility for devising the group's business plan.

You have an outstanding business education (IMD, IESE, INSEAD, US MBA) with a strong strategy, control and finance focus. At least 3 years of international experience in control & financial analysis or as a consultant or junior investment banker are required.

Fluency in English and at least two other word languages is a must. Your professional background is fully international and you are worldwide mobile and flexible.

The positions will be based in Europe with a second stage. You will enjoy a high degree of autonomy within a very active environment. Our Group offers exceptional opportunities for career advancement.

Please send your CV and accompanying letter, quoting the relevant reference, to our consultant who will arrange for you to attend an interview close to your current address:

NEUMANN MANAGEMENT SELECTION,

1 A boulevard d'Anvers
67000 Strasbourg France.

les Echos
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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Karl Loynton on +44 0171 873 3694



FINANCIAL TIMES

CORPORATE FINANCE SPECIALIST FOR HEDGE FUND

Sabre is one of Europe's leading hedge fund companies. We have developed a significant marketing capability and are now looking for a commercially minded negotiator to help with the legal/technical aspects of structuring funds and preparing detailed proposals for presentation to clients. Applicants will have a fund management, legal or banking background and possess good interpersonal skills. A six figure package is proposed.

Please write to Mr Robin Edwards,
Sabre Fund Management Ltd, Windsor House,
55 St. James's Street, London SW1A 1LA

Permanent positions Montreal

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+ Benefits
+ Relocation Assistance

The Caisse de dépôt et placement du Québec manages assets totalling US\$45 billion, including one of the largest equity portfolios in Canada. It wishes to hire professionals for the following positions:

FUND MANAGER —

ASIAN EQUITIES (EXCEPT JAPAN)

Reporting to the Senior Fund Manager - Asian Equities, the Fund Manager will manage an in-house Asian equities portfolio. The successful candidate shall possess a minimum of three years' experience as an institutional fund manager of Asian equities.

FINANCIAL ANALYST —

ASIAN EQUITIES (EXCEPT JAPAN)

Reporting to the Fund Manager - Asian Equities, the analyst will conduct research on companies in the region, make appropriate recommendations and participate in establishing the investment strategy. The candidate shall possess about three years' experience as an equity analyst of Asian companies, for an institutional fund manager.

Both positions require a university degree, preferably Finance, and strong analytical and communication skills. They also require proficiency in English and, given the work environment, communication skills in French, which may be acquired within a reasonable period after hiring.

Applicants interested in taking up the challenge should forward their CV in confidence to: Human Resources, Caisse de dépôt et placement du Québec, 1981, avenue McGill College, Montréal (Québec) H3A 3C7.

We offer equal employment opportunities.

Norges Bank, the Central Bank of Norway, is an executive and advisory body for monetary policy and has a key role in the country's payment system.

THE MARKET OPERATIONS DEPARTMENT

The Market Operations Department is responsible for effecting Norges Bank's transactions in the domestic money, bond and foreign exchange markets. The department has extensive contact with market players in Norway and abroad and performs analysis of the various markets and of Norwegian monetary and exchange rate policy. The department is also responsible for settlement, accounting and reporting procedures for its own transactions and for transactions executed by Norges Bank Investment Management as part of the management of the Government Petroleum Fund and Norges Bank's foreign exchange reserves. The department has two vacancies for:

Settlement Officers, Equities

As a consequence of Norges Bank Investment Management's plans to increase the breadth of the management of the Government Petroleum Fund, the Market Operations Department's Settlement and Accounts Section wishes to fill two permanent positions for Settlement Officers.

Responsibilities will be primarily associated with the settlement of Norges Bank Investment Management's trading in international equities and equity futures. The new Settlement Officers will also play a key part in the work of developing a centre of expertise in this field. There may also be tasks relating to settlement of transactions in international and Norwegian bonds and derivatives. The positions will involve extensive contact with correspondent and custodian banks abroad, with the settlement function of Norges Bank's counterparties, and with the management sections of Norges Bank Investment Management and the Market Operations Department.

Both positions will be at a senior level, and applicants should have a university degree or the equivalent in economics and/or business administration. Emphasis will be placed on relevant experience. In particular, emphasis will be placed on a sound knowledge of settlement and control of transactions in various types of financial instruments, primarily equity instruments, and knowledge of international securities settlement systems and payment systems, including SWIFT. Proficiency in English and Norwegian as well as a sound knowledge of IT will be required. The successful applicants must be capable of working independently and have a high capacity for work. Further information about the positions can be obtained from Mr Carl Jacob Vogt, Assistant Director, tel. +47 22 31 65 22, or Mr Thor Kristiansen, Assistant Head of Division, tel. +47 22 31 69 29.

Applications, including CV, copies of certificates and references, should be sent to Norges Bank, Market Operations Department, P.O. Box 1179 Sentrum, 0107 OSLO, by 25 September 1998.

NB NORGES BANK

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FINANCIAL TIMES FRIDAY SEPTEMBER 18 1998

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OUR EXPANSION: YOUR OPPORTUNITY!

With assets exceeding DM 200 billion - three quarters in loans to the public sector - the DePfa-Bank Group is one of Europe's leading specialist financial institutions, and one of the leading banks in public sector financing. Our long-term goal is to be the leading service provider to the public sector throughout Europe. DePfa-Bank Europe plc in Dublin, which manages public sector financing outside of Germany, plays a key role. As of 30 June 1998, the DePfa Bank Groups total public sector financing had grown to reach DM158 billion, of which DM54.3 billion was in loans to 13 European countries outside Germany.

To continue this growth, we are developing our project/infrastructure financing activities, and will offer one-stop, comprehensive service for public-sector infrastructure projects throughout Europe. We are now establishing a new section for project/infrastructure finance, along with our international credit department in Dublin, and are seeking experienced financial professionals.

Credit Manager – Project/Infrastructure Finance

Assisted by a small team of senior credit officers, and working closely with our customers, the group headquarters in Wiesbaden and the rest of the Dublin credit department, you will establish and manage this new section, assuming full responsibility for its running. This Dublin based position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in managing and motivating finance professionals.

Senior Credit Officers – Project/Infrastructure Finance

These Dublin based specialists will analyse incoming proposals, recommend credit solutions, prepare opinion and decision papers for the credit committee, monitor contract performance, and fulfil credit-reporting requirements. You should have at least 3 years of solid credit experience, including public-sector project or infrastructure financing.

Please send your c.v., in confidence to:

For the Dublin positions: Dermot Cahillane, DePfa-Bank Europe plc, International House, 3 Harbourmaster Place, L.F.S.C. Dublin 1, Ireland

For the Wiesbaden position: Marita Schmitt, DePfa-Bank Group Paulinenstr.15 D-65189 Wiesbaden, Germany

For more information, visit our website at www.depfabank.com
At DePfa-Bank Group, we value diversity: in our products
and in our people.

Senior Credit Officer – Risk Management

We are establishing a related activity at our group headquarters in Wiesbaden (near Frankfurt). Assisted by a small team of analysts, and working closely with the new project/infrastructure finance section in Dublin, you will assume responsibility for risk management in public sector finance, providing an independent opinion on financing proposals and closely monitoring our overall portfolio to control risk. This position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in leading financial professionals. Fluency in written and spoken English is essential; fluency in German would be a distinct advantage.

For all positions you must have a strong desire to work together with other financial professionals in an international team.

In addition to an exceptional challenge, we offer an attractive remuneration package as well as a world of opportunity in an expanding, international financial institution.



Vice President Derivatives Marketing

London

Our client, a major European investment bank providing the full range of financial services globally, has an opportunity for an experienced professional to join its successful derivatives marketing team.

With an in-depth knowledge of emerging market debt products and associated derivative instruments, you must have a proven track record in structuring a wide range of derivative products, including equity and fixed income derivatives, and marketing these to corporate clients. In addition, you will need to have worked on large project and corporate finance, as well as on leasing and tax driven transactions.

SFA registered with a post-graduate degree (MBA) in finance and fluent in English and French, you will also ideally be a Chartered Financial Analyst. Solid experience of programming languages relevant to the trading floor, e.g. Visual Basic, together with a high degree of technical and product knowledge and strong modelling skills are essential.

Please write in confidence, enclosing a full CV and details of current remuneration, to Geoff Selby, Ref. GR/711, Roose and Partners Advertising Limited, 100 Gray's Inn Road, London WC1X 8AU. Fax: 0171-831 8761. Please list separately any companies to which your application should not be sent. The closing date for receipt of applications is 30th September, 1998.



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Financial Times

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INTERNATIONAL TELEPHONE TRAFFIC ANALYST Ref. SI/F99754

The position involves the analysis of the natural traffic trend, of the impacts of macroeconomics, as well as of the Competitors' Marketing strategies.

The ideal candidate would be a graduate in Engineering, Statistics or Mathematics.

A two-year experience in the International voice market - preferably with leading operators within the industry - is required. Being an expert in all activities within the business, including those related to the Carrier's Carrier market, is a pre-requisite.

We require an independent determined professional with fluent English. Job location: ROME (Italy).

Every aspect of the recruitment process will be directly dealt with by our Client, therefore, those who do not wish to be put in contact with specific companies ought accordingly state it in their reply to this advertisement, by writing "Private & Confidential" on the envelope.

The Curriculum Vitae of the applicants (complete with authorisation of personal data protection, according to Italian law 675/96) bearing the reference number, both on the letter and on the envelope, relating to the specific position of interest, should be sent "preferably" through guaranteed delivery to:

PRAXI S.p.A. - ORGANIZZAZIONE e CONSULENZA
00136 ROMA - VIALE DEGLI AMMARI 91 - Tel. (06) 387 219 56
Fax: 06 387 219 56 - E-mail: praxi@praxi.it - PRAXI CONSULENZA - PRAXI VALUTAZIONI
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In the next ten years developments in digital technology will transform broadcasting and create new opportunities which are every bit as significant to the future of broadcasting as the introduction of television and radio.

The Corporate Strategy team is strengthening its resources as the BBC responds to increasing competition in this rapidly changing environment. You would be part of a high calibre strategy team providing advice to the BBC's senior management on major strategic and performance issues.

Analyst

Our team of analysts plays a vital role in ensuring the BBC understands market and technological developments and keeps ahead of the game in industry knowledge.

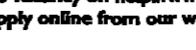
At this level, you will have strong academic qualifications, good qualitative and modelling skills and at least two years' experience of business research and analysis within a professional service, corporate or public sector environment.

You will be able to demonstrate a strong interest in the media sector, the ability to work to tight deadlines, strong interpersonal skills and the ability to present information in a clear and coherent way.

A strong interest in, and/or experience of digital broadcasting and new media is essential.

For further details, please contact BBC Recruitment Services (quoting ref. 29365/P). To apply, please send your CV to BBC Recruitment Services quoting ref. September 28th on 0181-740 0005, Minicom 0181-225 9878. Alternatively, send a postcard to BBC Recruitment Services, PO Box 7008, London W12 8GN, or e-mail recruit@bbc.co.uk quoting ref. 29365/P and giving your full name and address. Application forms to be returned by October 1st.

You can also see this vacancy on <http://www.bbc.co.uk/jobs/e29365.shtml> and apply online from our world wide web site.



Working for equality of opportunity

Sub-editor

Enskilda Securities is a leading specialist European investment bank with offices across the Nordic region and in London, Paris, New York and Frankfurt. As part of our commitment to the highest editorial standards in equities research, we are looking to appoint a sub-editor to join our expanding team. Based in London, the role involves editing reports written by our investment analysts.

You are likely to be a graduate with a background in financial editing, gained either in a financial services or publishing environment. You will be familiar with the principles of accountancy and company analysis, the workings of equities markets and have an understanding of macroeconomics. A meticulous approach, confidence under pressure and strong communication skills are essential qualities. Experience of Windows NT would be an advantage.

The post commands a competitive salary together with a wide range of corporate benefits and offers excellent career opportunities.

Interested candidates should send CVs to Judy Elmes, Personnel Manager, Enskilda Securities, 2 Cannon Street, London EC4M 6XZ.

Enskilda Securities

A unit of Scandinavian Enskilda Banken

SENIOR MARKETING MANAGER AFRICA

Private West End based Bank seeks Senior Banker with extensive experience in Africa including Nigeria.

Must possess good Credit skills, Trade Finance background and general knowledge of Banking. Required to travel.

Salary commensurate with experience, usual Banking Benefits.

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Please send your resume or call confidentially: Oliver R Francis, Managing Director, Pro Capital Ltd., 9th Floor, St Alphege House, 2 Powis Street, London EC2R 9DA, UK

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NORGES BANK

ACCOUNTANCY APPOINTMENTS

Open to change, hungry to learn?

Explore European career opportunities

The highest market value industrial company in the world, GE operates in 12 key businesses as diverse as manufacturing, media and financial services. AAA-rated and founded on the basic principles of value, service and productivity, 1997 revenues were up 13% to \$90 billion and operating margins exceeded 13% for the first time in the company's 120-year history.

Continuing growth, achieved organically and by acquisition, provides exceptional opportunities for both finance and business professionals. GE is holding two open days to enable candidates to meet some of the company's European business leaders and hear about a range of challenging international roles.

Change Management/Quality

One of the drivers of GE's impressive growth is its Quality initiative. Under the banner of "Six Sigma," GE is seeking to achieve a level of performance close to perfection in every part of every GE business. A massive investment in time, money, leadership and talent - \$450 million on training alone in 1998 - the returns are enormous. From a standing start three years ago, projects will have generated benefits of \$2 billion

by the end of this year and continue to provide opportunities for share growth, higher margins and improved products and services.

Success in these projects opens up exceptional opportunities. Project Leaders with demonstrated achievements in Six Sigma have become highly sought-after candidates for senior leadership roles within GE.

Projects cover all GE products and services, demanding a range of experience which can include change management, project leadership, process improvement or re-engineering skills. Candidates must have 2-8 years' experience in a major international company or professional practice and the ability to lead change and inspire others to achieve excellence.

Finance

GE's outstanding performance demands individuals who combine superb finance skills with high levels of energy, enthusiasm and integrity. Throughout Europe, GE businesses require finance professionals at a range of levels who have the ability to lead and energise others and to drive change in an open and dynamic culture.



USA

GE

GE is an equal opportunity employer.

* Not associated with the English company of the same name.

Open Days: 14 & 15 November, Brussels

Working cross-functionally, roles include Quality and Marketing, Finance, Controllership, Financial Planning and Analysis, Taxation and support for GE's acquisitions and integrations throughout Europe. These roles provide the opportunity for fast-track progression through GE for talented candidates with the potential and confidence to move into senior finance positions.

Between 2-8 years' finance experience in an international environment, a record of academic and career achievement and a real passion for excellence are all critical to success.

If you would like to attend an open day or find out more please write to the address below, enclosing a copy of your CV and current salary details, quoting ref: 302 to: Alderwick Consulting Ltd, 35 Fetter Lane, London EC4A 1EP. Fax (+44) 171 242 3560. For more information call them on (+44) 171 242 9181 (weekdays) or (+44) 966 119056 or (+44) 1732 811249 (evenings and weekends). Any application sent direct to GE will be forwarded to Alderwick Consulting Ltd.

CENTRAL LONDON

The Financial Times Group sets the standard as the international business community's authoritative source of global business news and analysis. Part of Pearson plc, which includes Pearson TV, Penguin Group and the Tussauds Group, the FT Group has a turnover in excess of £600m. With the continued growth of the FT brand into new territories and media, this is an organisation that provides individuals with the opportunity to reach their full potential.

As a result of future growth plans, the need has now arisen to recruit a high calibre Chartered Accountant.

Reporting directly to the Financial Controller the requirement is for a finance

FINANCIAL TIMES No FT, no comment.

NEWLY QUALIFIED ACCOUNTANTS

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and the ability to influence and support colleagues towards achieving business objectives.

If you seek to advance your career in a world class organisation, please send your Curriculum Vitae stating current remuneration to Kacey Young or James Bacon at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 8867. Fax: 0171 915 8716.

Email: kacey.young@robertwalters.com or james.bacon@robertwalters.com

Web: <http://www.robertwalters.com>

You may also apply via <http://taps.com> quoting reference RW182.



LONDON THAMES VALLEY AMSTERDAM BRUSSELS FRANKFURT NEW YORK HONG KONG SINGAPORE SYDNEY MELBOURNE BRISBANE WELLINGTON AUCKLAND JOHANNESBURG

LEISURE PROPERTY PLC DYNAMIC MARKET LEADER

WEST END

1998 promises to be the most profitable year to date for the undisputed leader in the leisure property market. Having made a firm commitment to sustainable business growth, the organisation is looking to recruit senior finance professionals with extensive experience in the property development sector

DEVELOPMENT ACCOUNTANT

Critical to the success of this high profile role will be the ability to work closely with UK and European development surveyors, obtaining pertinent information and portraying it in a relevant manner. As part of the senior management team, the individual will have the opportunity to make an immediate and considerable impact on the future direction of the business. Key responsibilities will include:

- full cash flow and balance sheet forecasting on a three year rolling basis
- attendance at weekly development meetings
- reviewing loan interest and associated costs
- monitoring lease and rental positions to assess maximum bank borrowing
- assessing development costs to date against forecast and budget

Working hand in glove with the group finance director, the candidate will combine a pragmatic approach to problem solving with a desire to expand the boundaries of the role. Well developed IT and modelling skills will ensure the success of current and future development projects. The ideal candidate will be a qualified accountant with at least three years' post qualification experience in a commercial or financial services environment.

These are outstanding opportunities for high calibre professionals seeking to make a senior level contribution to the direction of the ambitious market leading Plc. Interested applicants should send their Curriculum Vitae to Matt Foster at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 6931. Fax: 0171 915 8714. Email: matthew.foster@robertwalters.com Web: <http://taps.com> Robert_Walters quoting reference RW183.



LONDON THAMES VALLEY AMSTERDAM BRUSSELS FRANKFURT NEW YORK HONG KONG SINGAPORE SYDNEY MELBOURNE BRISBANE WELLINGTON AUCKLAND JOHANNESBURG

McKinsey & Company – Energy Sector Professionals

Oil and Gas Consultancy

McKinsey & Company is recognised as the leader in the field of management consultancy. With 75 offices in 38 countries they offer advice on strategic, organisational and operational issues to leaders of many of the world's pre-eminent companies. Over 4400 McKinsey consultants help make lasting and substantial improvements to clients' business performance.

The continuing success of McKinsey's European Energy Practice has created the need to strengthen the firm's group of oil and gas consultants. Specifically, there are now openings for experienced industry professionals to join the teams focusing on the following sectors:

London or Oslo

Downstream

- With in depth knowledge of:
- Refinery and supply scheduling and optimisation
 - LP modelling
 - Trading analysis crude or finished product
 - Long term refinery planning
 - Operations and maintenance

Packages to attract the best

You will work with some of the biggest names in the energy business in Europe and the Middle East, helping to generate innovative solutions that will set new benchmarks for best practice. Much of your time will be spent working directly with clients in multi-disciplinary teams, but you will also add to McKinsey's own research effort, enhancing the Firm's knowledge base and insight into issues of critical importance to clients.

Successful candidates will show exceptional academic and professional achievement and now want to broaden their influence. Aged 28-35, you will probably have no less than 5 years' experience and be able to demonstrate distinctive leadership accomplishments within an oil or gas major or in an advisory or research role. Your track record will clearly demonstrate pre-eminence and a proven ability to develop commercial insights in your field of expertise. Commercially aware, ideally formalised with an MBA, you will also have first class interpersonal and communication skills. These significant career opportunities offer highly attractive salaries and a wide range of benefits.

Interested candidates should write with full CV, quoting current rewards package to Richard Roberts, Energy & Utilities Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AT, Tel: 0171 970 9600, Fax: 0171 936 3974, quoting ref: LRR/1881/FT and the appropriate job title.

VII

FINANCIAL TIMES

FRIDAY SEPTEMBER 18 1998

Group Finance Director
(with strong commercial skills)

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COMPANIES & FINANCE: EUROPE

INSURANCE SHARES IN ZFS'S JOINT OWNERS HIT ON CONCERN ABOUT IMPACT OF STOCK MARKET FALL ON SHAREHOLDERS' FUNDS

Zurich Financial cautions on second half

By William Hall in Zurich

Zurich Financial Services, formed from this month's merger of Zurich Insurance and BAT Industries' financial services arm, earned \$1.42bn in the first half of 1998 but warned yesterday it did not expect second-half earnings to be as strong.

The cautionary note, combined with investor concerns about the impact of the recent stock market slide on ZFS's \$22bn of shareholders' funds, led to a near 6 per

cent drop, to SFY781, in the shares of Zurich Allied, one of the two quoted holding companies owning ZFS. Shares of Allied Zurich, the UK holding company, fell to 65p, where they are trading at roughly a 14 per cent discount to the order of 15 per cent.

In the first six months, ZFS had revenues of \$19.1bn and total operating income of \$2bn. Its first-half performance is a considerable improvement on 1997, when the merged group earned \$2.1bn for the full year based

on pro forma estimates.

Rolf Hippel, chairman and chief executive of ZFS, warned in May that the new group would take a \$1.4bn restructuring charge, but stressed yesterday it would have no effect on the dividend payment, which will represent 30 per cent of sustainable profits.

Mr Hippel said the new group expects to attain "very good operating results" in 1998, despite the weaker earnings in the second half. He declined to give a full

year forecast, but said its target was a 15 per cent per annum growth in "sustainable earnings power".

Last month, Goldman Sachs, the US investment bank, estimated that ZFS would earn \$1.8bn in 1998 after taking account of the restructuring charge, which implied a 14 per cent fall in 1998 net income.

First-half profits at Zurich Group, the senior partner in the merger, rose 46 per cent to SFY1.37bn. Its performance was boosted by a

SFr1bn increase in net realised capital gains on the investment portfolio, while net premiums earned rose 23 per cent to SFY12.9bn and net investment income rose 10 per cent to SFY1.4bn.

Mr Hippel moved to quell speculation that ZFS planned to sell its insurance operations, which account for less than 10 per cent of the combined group.

Net profits at Zurich Reinsurance (London) up for sale because it does not fit into its strategy.

PFE's future may lie west

By Alice Rawsthorn

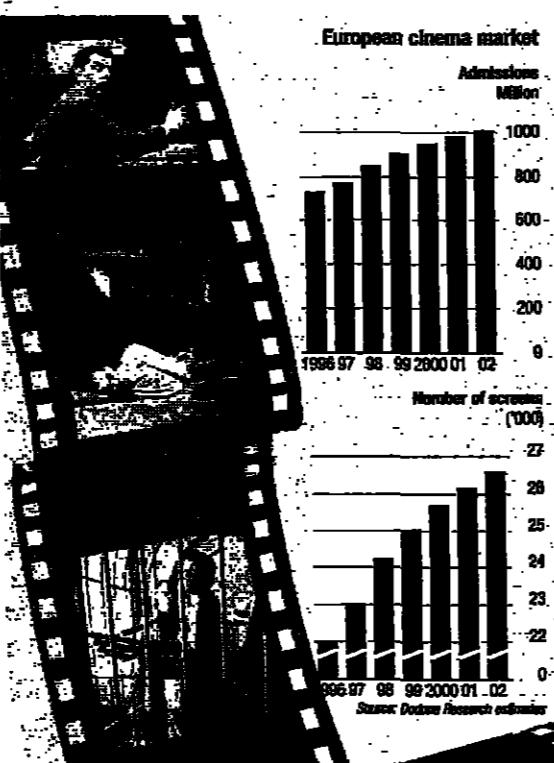
Among the production credits of *Four Weddings And A Funeral*, *Transporting Bean, Lock Stock & Two Smoking Barrels* and most other European hit films of the 1990s, the name PolyGram appears often.

PolyGram, the Dutch music group, has spent \$1.2bn since 1991 on establishing Europe's biggest film production and distribution business. But when Seagram, the Canadian entertainment company, bid \$10.4bn for PolyGram this spring, that expensively-created film business went up for sale.

The deadline for final bids for PolyGram Filmed Entertainment (PFE) is today. However, the outcome is now clouded by uncertainty because EMI, the UK music group long regarded as the front-runner in the auction, has dropped out.

Unless another European suitor, such as Canal Plus or Carlton, the French and UK media companies, comes to PFE's rescue, there is a growing possibility that it will be subsumed by a US owner, such as Artisan Entertainment, Kirk Kerkorian's MGM/UA or, if none of the bids meets Seagram's expectations, its own Universal Studios subsidiary.

There would then be a very real risk that the focus of PFE's investment would shift to the US, and Europe's film industry would lose its



prime source of capital. The loss of such an important investor would come at a sensitive time, as the European industry is enjoying a revival.

One of the chief catalysts for that revival was PolyGram's emergence as a powerful investor willing to make a long term commitment to a global production and distribution network.

Until then, the European

film business was a fragile, fragmented sector dominated by small companies. Larger investors emerged from time to time, notably EMI in the 1970s, and Pearson (the UK media concern which owns the Financial Times) in the 1990s.

But they concentrated on production, rather than the more profitable distribution business, and both eventually withdrew.

Similarly, Universal and MGM might retain PFE's distribution network in the light of the European Commission's threat to break up United International Pictures, their distribution joint venture with Paramount.

However, it is highly unlikely that a US owner, or Canal Plus or Carlton, would pump as much money into European production or distribution as PolyGram. Nor is there any sign of another European group taking PolyGram's place as Europe's lead film investor if, after today's deadline, PFE is gobbled up by Hollywood.

The AGF takeover signalled Allianz's intention of establishing a stronger position in other European countries, such as Belgium,

Allianz reports growth in line with forecast

By Tony Barber in Frankfurt

Ireland, the Netherlands and Spain, ahead of next year's launch of the euro.

However, Henning Schulte-Noelle, Allianz chairman, has sought to curb speculation that the AGF takeover is the prelude to bolder initiatives that would transform the group into a worldwide financial concern. It continues to hold stakes of about 20 per cent in Hypo-Vereinsbank and Dresdner Bank, Germany's second and third largest commercial banks. But earlier this week it sold a 16 per cent stake in BHF-Bank, a medium-sized German bank, to ING, the Dutch financial group.

Insurance analysts said they expected the group to meet its 1998 premium income target of DM107bn, to which AGF would contribute about DM18bn.

Allianz generates about two-thirds of its revenue outside Germany, raising the possibility of a slowdown in income growth if there were a sustained rise in the mark's value. First-half growth was fuelled almost equally by the group's property and casualty business, which rose by 17.5 per cent, and by its life and health insurance operations, which grew by 14.7 per cent.

Drott lifts Näckebro stake

Drott, the Swedish real estate company pursuing a Skr1.36bn (\$430m) takeover bid for Näckebro, a smaller rival, said yesterday it had increased its stake to 45.7 per cent and demanded that Näckebro respond by convening an extraordinary shareholders' meeting.

Mats Mared, Drott managing director, said he wanted the appointment of a new board of directors which better reflected Drott's position as the dominant shareholder. Drott launched its takeover bid last week after Näckebro surprised it by acquiring 44.6 per cent of its voting rights. Under stockmarket rules, Näckebro cannot itself call for an extraordinary shareholders' meeting at Drott until next week. Greg Molvor, Stockholm

TELECOMS**ADC buys Teledata for \$200m**

ADC Telecommunications, the Minneapolis-based telecommunications equipment manufacturer, has agreed to purchase Teledata Communications of Israel for \$200m in cash, in an effort to boost its presence on world markets.

The move was the latest in a wave of acquisitions of small Israeli technology companies for high valuations by overseas companies, mostly from the US.

ADC will purchase Teledata for \$15.75 a share, or 17 per cent above Wednesday's opening price of \$13.375 on Nasdaq. Teledata, which had revenues of \$69m in the 12 months ended June, makes digital loop carriers, used to transmit voice and data from telecom providers to remote neighbourhoods. The Israeli company has a strong presence in markets outside the US. ADC said Teledata's market share in Europe, the Middle East, Australia and Latin America would give it "immediate leverage in those markets" and help boost ADC's exports from 21 per cent to 30 per cent. Avi Machlis, *Business Week*

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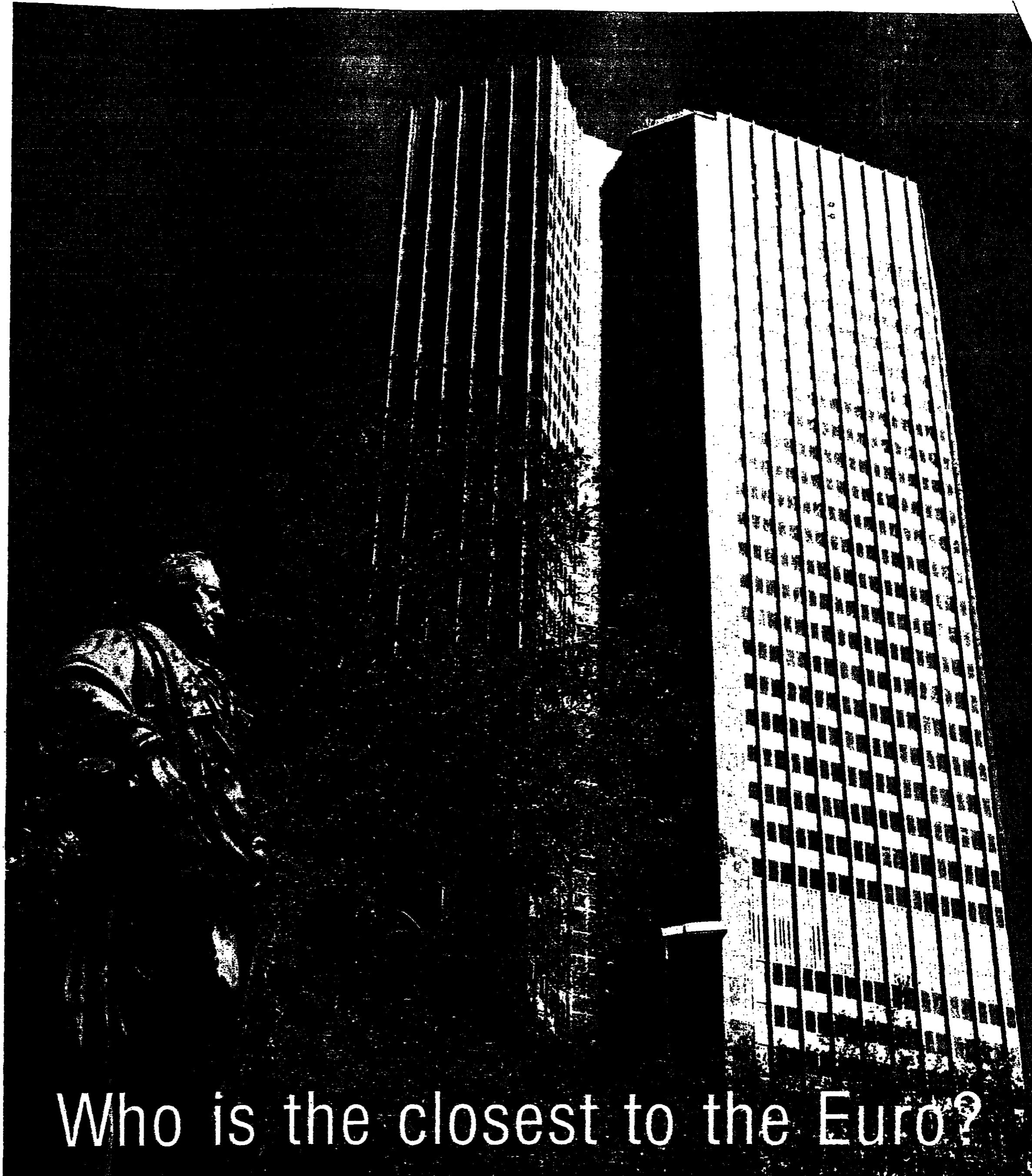
Joe in Lits

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COMPANIES & FINANCE: INTERNATIONAL

Shareholders vote on Daimler-Benz and Chrysler merger

Approval of the largest industrial link-up is to be decided in vastly contrasting ways, write Graham Bowley and Haig Simonian

The future of the world's largest industrial merger will be decided today when shareholders of Daimler-Benz and Chrysler vote on whether to approve their companies' link-up at special meetings in Germany and the US.

Up to 16,000 Daimler shareholders will gather in the cavernous Hanns-Martin-Schleyer Hall in Stuttgart to discuss the conditions of the \$40bn merger between Germany's biggest industrial group and the US car company, which was announced in May.

Chrysler's meeting could hardly be more different. Rather than catering for a cast of thousands, the company expects no more than "a couple of hundred" shareholders to appear at 8am in a functional meeting room at the Hotel du Pont in Wilmington, Delaware.

The outcome at Chrysler is a foregone conclusion. The US group's articles of association only require approval by shareholders representing more than 50 per cent of its issued share capital.

Given the level of support already voiced for the merger, no one is expecting any surprises. Usually, institutional investors do not even bother to turn up in person and send proxy votes by post. Today is unlikely to be any different, and the whole affair should be over within two hours.

In contrast, Daimler-Benz's meeting will be a tortuous process starting at 10am and lasting late into the evening as shareholders interrogate chairman Jürgen Schrempp and the rest of the Daimler board. Unlike the Chrysler meeting, there will be several key voting thresholds in Stuttgart which will be crucial to the deal.

According to German law, Daimler requires approval from 75 per cent of shareholders' capital represented at the meeting to go ahead with the merger.

This 75 per cent level is also important for another reason: it will ensure that shareholders of the German group, which is the larger of the two companies, will hold a majority stake in the new company, Daimler-Benz. This is important because



The Mercedes-Benz plant at Vance, Alabama, which houses a museum of cars made by the German carmaker AP

under US tax rules, Chrysler shareholders will avoid paying federal income tax on the merger only if Daimler holds a majority stake in Daimler-Benz. Chrysler executives have insisted on this tax-friendly deal for their shareholders as a key condition for securing their approval.

In fact Daimler should easily get 75 per cent of the votes, but it wants to go further - to breach the 90 per cent voting level. This threshold is important

because without it Daimler-Benz would be forced to write off goodwill worth DM1.4bn (\$527m) each year for four years. Although this would have no impact on operating profit, it would depress annual net profits. It would be an irritation, but Daimler insists it would press on regardless.

Anyway, Daimler executives are confident they will secure all the votes they need. They can count on the backing of Deutsche Bank and the government of

Kuwait, its two biggest shareholders which together own about 35 per cent of the company.

In addition, it has the support of other large institutional investors and of many thousands of small investors who deposit Daimler shares with Deutsche Bank and have instructed Deutsche to vote on their behalf.

As an inducement to get other shareholders to approve the deal, Daimler has made an offer of one additional Daimler-Benz

share for every 200 Daimler shares exchanged if the 90 per cent approval level is breached.

As further sweeteners to win shareholders over, Daimler has held out the prospect of higher dividend payments - in line with Chrysler's pay-outs which have traditionally been higher than those of the German group.

In addition, both companies have stressed the enhanced earnings potential of the combined group. They

forecast sales and profits would rise sharply because of buoyant world demand and restructuring within the companies following the merger.

The benefits from restructuring are expected to be especially pronounced within Daimler. The German group expects earnings before interest and tax in its car division to surge from DM3.4bn this year to DM5.9bn in 2000.

Profits in commercial vehicles should increase from DM1.3bn to DM2.3bn. Mr Schrempp will spell this out again at the meeting today.

When the meetings are over, the process of exchanging shares into Daimler-Benz stock will begin. Under the deal, Daimler is effectively taking over Chrysler and the US group's shareholders will receive around 42 per cent of the stock in the new company, while Daimler shareholders will get around 58 per cent.

Shareholders will be able to exchange their shares from September 24 until October 23. Shortly after that, probably in the first half of November, trading will begin in Daimler-Benz shares and the new company will be officially registered.

The new stock will be listed as registered ordinary shares on all leading stock exchanges. The merger will mean a accounting shift for Daimler from half-yearly to quarterly business reports. The first quarterly report of Daimler-Benz will be published at the end of the first three months of next year.

As at Chrysler's regular annual shareholders' meetings, Bob Eaton, Chrysler chairman, will give a short speech, largely repeating what shareholders have already been told in the statements filed by the company last month.

There will be a brief opportunity for "appropriate" questions. But with only one item on the agenda - the "business combination agreement" with Daimler-Benz the whole affair should be over within two hours - about the same as for a normal shareholders' meeting.

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INVESTMENT FUNDING

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GM to discontinue two models

By Richard Tomlins
in New York

General Motors, the biggest US car maker, yesterday announced that it would discontinue two models, the Buick Riviera and the Oldsmobile 88, at the end of the year with the loss of 1,400 jobs.

Both models are made at the company's Orion assembly plant in Oakland County, Michigan. GM said some of the employees affected might find work at other nearby plants.

The move comes soon

after the return to work at the end of a damaging strike that halted production at the company for nearly two months during the summer.

The settlement of the dispute gave GM more latitude to streamline its operations and increase efficiency, in return for undertakings that it would invest in its US plants.

GM's share of the US market has tumbled from 44 per cent in the 1980s to about 30 per cent, but it has failed to cut its brands and product lines to match its declining sales.

In addition, full-size luxury cars such as the Buick Riviera represent only a small part of the market, and sales have been in decline for many years.

Sales of the Riviera, which has a retail price of about \$33,000, tumbled from 21,020 in the 1986 model year to 16,419 in 1997, and GM said it was time to end production. Only 2,000 Rivieras will be made this year, and they will be sold as collectibles.

Production of the Riviera began in 1963, since when about 1m have been made at the plant.

BIOTECHNOLOGY US GROUP TO SELL UNIT PRODUCING HALF OF ITS \$1.2bn TURNOVER

Chiron to focus on drugs, vaccines

By Clive Cookson,
Science Editor

Chiron, the US biotechnology company, will cut its turnover and its workforce by half through the decision, announced yesterday, to sell its diagnostics business to Bayer of Germany for \$1.1bn cash plus substantial future royalties.

The business accounted for \$500m of Chiron's \$1.2bn revenues last year but the company decided it did not have the critical mass ever to become a leader in the highly competitive - and fast consolidating - global diagnostics industry.

It will concentrate now on drugs and vaccines and on its promising blood screening tests, which are not included in the sale to Bayer.

"When I came on board,

we decided to narrow our focus," said Sean Lance, who joined Chiron as chief executive in May. "There was going to be a nice ramp-up in revenues from diagnostics but we did not feel the business would ever reach the scale of the major competitors through organic growth."

Mr Lance, a South African who had been chief operating officer of the UK's Glaxo Wellcome, said Chiron's initial plan was to put the diagnostics business into a joint venture, because the company did not believe it could extract its value through an outright sale.

But negotiations with potential partners showed that there were buyers prepared to pay a full price.

Bayer's diagnostics business, based in Tarrytown, New York, has 4,800 employ-

ees worldwide and sold \$1.1bn of testing equipment and chemicals last year. The addition of Chiron Diagnostics, based in Walpole, Massachusetts, will add 3,000 people and \$500m of sales.

The combined group will be third in the world league of diagnostics companies, behind Abbott of the US and Roche of Switzerland.

Roche completed its takeover of Boehringer Mannheim, the German diagnostics company, early this year.

Chiron was one of the original wave of biotechnology companies, founded by biochemists from the University of California in 1981. It has also been one of the most successful. Novartis of Switzerland paid \$2.1bn in 1994 for a 49.9 per cent share and has the right to take a majority stake after 2000.

But Chiron has lost momentum over the past couple of years and the management is concentrating on the core pharmaceutical and vaccine businesses. Diagnostics is the latest and largest in a series of divestments, including the \$300m sale of Chiron Vision to Bausch & Lomb early this year.

"The initiatives put in place by the company are right but we need to take them further, both in a sense of urgency and achievement," said Mr Lance.

Chiron's leading drugs are genetically engineered proteins such as Protekin to treat advanced cancer and Betaseron for multiple sclerosis. Its blood screening tests, sold through a joint venture with Johnson & Johnson, are helping to eliminate the HIV virus from the blood supply.

ABN Amro seeks licence return ABN Amro was last night seeking to overturn the withdrawal of its foreign exchange licence in Surinam, where it is the largest non-domestic bank. The move, by the central bank in the Netherlands' former South American colony, came this week amid allegations that the Dutch bank had breached regulations.

The Amsterdam-based group, which reopened its offices yesterday for local business after a day's closure, has denied wrongdoing but has also accepted there may have been a difference of interpretation in the rules. The authorities are struggling to support the Surinamese guider, which is tied to the US dollar, in the face of uncertainties in regional emerging markets. Forex business for clients in export-import operations forms the biggest part of ABN Amro's activities in Surinam, which is an important producer of bauxite. Gordon Cramb, Amsterdam

The sale of the 44 per cent holding, which will need US, German and Canadian government approval, is expected to be completed by the end of the year, and followed by the disposal of DuPont's remaining 6 per cent share. The move follows DuPont's announcement earlier this year that it was to sell 20 per cent of its stake in the Conoco oil and gas group in an initial public offering planned as a prelude to full disposal.

However, the falling stock market and depressed oil prices have reduced Wall Street's estimates of the value of Conoco, which accounted for almost half DuPont's 1997 revenues of \$45bn. The company had expected to raise at least \$3bn from the sale of the initial tranche, using the proceeds to fund expansion in life sciences businesses.

Conoco, which has annual sales of about \$23bn, claims to be the third largest oil company in the US.

Christopher Parkes, Los Angeles

BANKING

ABN Amro seeks licence return

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COMPANIES & FINANCE: UK

Vickers eyes GKN armoured vehicle wing

By Andrew Edgecliffe-Johnson

Vickers is examining ways of trying to buy the armoured vehicles business of GKN, despite the latter's agreement this week to merge its defence business with Alvis, the UK's other armoured vehicles manufacturer.

The group, which this year sold Rolls-Royce Motor Cars and Cosworth engines to focus on defence, marine propulsion and turbine components, yesterday announced more than 1,100

job cuts - equal to 22 per cent of its workforce.

The cuts are concentrated in defence, where the Leeds tank factory will close at the cost of 450 jobs, and the Newcastle plant will cut 250 staff.

The cuts formed part of a cost-cutting programme and strategic review, which resulted in £29.8m (£50m) of exceptional charges in the first half of the year, and will create another £30m exceptional charge in the second half.

When asked about GKN

and Alvis, Sir Colin Chandler, the chairman of the Challenger II tank manufacturer, would only say that he had "not ruled out" an attempt to participate in the long-awaited consolidation of the UK's armoured vehicles industry.

It is understood, however, that Vickers remains keen on a combination with GKN, with which it held unsuccessful takeover talks last year.

Sir Colin, who has also examined the possibility of

France, said the priority was to "rationalise our own business, broaden our product range, get access to other markets, and reduce the number of competitors".

Paul Buysse, chief executive since May, said Vickers was pursuing 21 possible acquisitions or alliances. Following the £47.8m sale of Rolls-Royce Motor Cars to Volkswagen, the group had net cash of £38.8m at June 30, and analysts estimated that the group could have up to £350m to spend on acquisitions, even once £108m of

customer advances were taken out of the cash figure.

The Rolls-Royce disposal distorted pre-tax profits for the six months to June 30, which shot up from £15m to £141m. Before exceptional items, operating profits were down from £27.7m to £17.1m.

The unchanged 2.7p dividend, which is payable from earnings per share of 33p (1997: 15p), was covered just 1.3 times by pre-exceptional earnings.

Mr Buysse said the launch of new products had been accelerated in marine and

turbine components, where Vickers expects annual market growth of at least 8 per cent. He is looking to grow the marine propulsion business by acquisition, to expand its product range to include bridge controls and electrical devices.

Defence profits dropped £3.4m to £7m, as production on its £1.5bn order for Challenger II tanks for the British Army began to wind down. Discontinued businesses reported an operating loss of £4.8m, compared with a £4.7m profit in 1997.

COMMENT

Next

The most significant thing

about Next's results yesterday was Sir Brian Pitman's debut as chairman. The figures themselves were predictably downbeat, even if current trading was more cheerful.

It remains too soon to pronounce recovery from earlier trading travails, but

recovery will surely come: a slow economy will not help, but the retail skills and brand power that fuelled the formidable nineties growth story have not disappeared.

More telling than any

short-term trading runnes will

be Sir Brian's influence. To

hear him muse about retailers' obsession with top-line growth, not bottom-line profits, was to savor the sound of heresy. Next, of course, has previously managed to achieve both. But it is clearly entering a new, more sober phase. It is no criticism of Sir Brian's accomplished predecessor, David Wolfson, to say he has arrived at the right time. With the economy slowing, price inflation absent and competition intensifying, delivering value will not be so easy. Yet this is an area in which Sir Brian's credentials are unimpeachable. The upside is likely to be a more cautious Next. Earnings growth will be slower, but quality of earnings will be better.

On just over 13 times 1997 earnings, the shares trade at a 20 per cent-plus discount to the market. That gap will surely close, although investors may have to wait until next year for positive newsflow to galvanise the rating.

Vickers

Following GKN and Alvis's decision to merge their armoured vehicles businesses, Vickers looks confused, not knowing whether to reduce or increase its exposure to defence. Yesterday's move to sack a fifth of the company's workforce - largely via the closure of its Leeds tank factory - is a rational response to its break order book. But simply reducing the headcount will not be enough to improve competitiveness in export markets. It must find a way to join in the industry's consolidation. However, paying a premium in a bid for Alvis would be a surefire way to destroy shareholder value. And European alliances look impractical for now, given obstacles of state and family ownership. Selling out to Alvis looks the best bet, although Sir Colin Chandler, Vickers' chairman, may have to accept the business is worth next to nothing. Vickers could do worse than get out for free.



Sir Tom Farmer: 'One of the nicest fits'

Kwik-Fit buys Speedy Europe posthaste in deal with SMK

By David Blackwell

Kwik-Fit, the tyre and exhaust chain founded by Sir Tom Farmer, yesterday sharply expanded its operations in Europe by agreeing to pay £105m (US\$176m) cash for Speedy Europe.

Speedy is being sold by SMK, a Canadian-based automotive operation.

Sir Tom, chairman, described Speedy as a clone of Kwik-Fit. "It is one of the nicest fits that any company could have," he said, adding that drivers could now go from Edinburgh to the south of France and never be far from one of his branches.

City analysts welcomed the deal, which adds 568 outlets across Europe to Kwik-Fit's 1,221 branches, predominantly in the UK. They pointed out that the acquisi-

tion's margins were only about half the level of Kwik-Fit's existing business in the Netherlands and Belgium.

The deal would be earnings enhancing in the first full year, and have a neutral effect on the remainder of this year, they said. It would give the group a big presence in France and Germany, add the French speaking part of Belgium and offer a foothold in the emerging market in Spain.

"Strategically, it is very pleasing," said Ed Wright, of Dresdner Kleinwort Benson, adding that it would be a further bonus if Kwik-Fit succeeded in taking its new insurance selling operation to the Continent.

The news was announced alongside a 31 per cent rise in pre-tax profits to £35m for the six months to August 31 on sales 5 per cent up at

£251.7m. The shares responded with one of the best performances in the FTSE-250 yesterday, rising 15.4p to close at 467.5p.

Speedy had sales of £147m last year, when the impact of a loss-making automotive parts business left it £2.5m in the red.

Sir Tom said Speedy itself was making an operating profit, and the acquisition did not include the loss-making business. The Speedy brand was as strong in France as Kwik-Fit was in the UK, so there would be no name change. But he would be looking to establish some sort of common identity.

Speedy, with 376 French outlets, sells more exhausts and brakes than it does tyres, which have lower margins. Kwik-Fit has been trying to boost its brake business in the UK.

The acquisition will soak up Kwik-Fit's net cash of £25.5m and leave it with gearing of between 40 and 50 per cent. But analysts said that even after paying for Speedy, the group would have enough financial muscle to continue its organic expansion.

Plans include a second call centre to cope with demand for its insurance business, which was launched in 1995 and has grown to generate profits of £5m on sales of £21m in the first half. It has introduced an MOT insurance policy and is looking to expand its products. Kwik-Fit also opened a staff training academy in March.

Analysts are forecasting that group full-year profits will hit £64m this year, growing to £74m the following year as Speedy starts to kick in.

Next feels pinch with sales slowdown

By Peggy Hollinger

Next shares fell sharply yesterday as the high street fashion retailer reported disappointing sales increases over recent weeks and signalled a slowdown in the pace of growth in its mail-order business.

The group, which issued a profits warning in March,

also reported a 30 per cent drop interim pre-tax profits from £71.2m to £50.2m (£34.3m), in line with expectations. Sales rose from £520.9m to £536.2m for the six months to July 31.

However, news of only 1 per cent rise in like-for-like store sales over the first six weeks of the second half, and a 3 per cent increase in

mail order, helped drive the shares 37.5p lower to 407p, their lowest point since early 1996.

Analysts, who had been expecting current sales increases of between 4 and 5 per cent, cut their full-year forecasts by about 5% to a range of £158m-£165m (£184m). "They have gone from over-stocking to under-

stocking and the more conservative stance will not grow their like-for-like sales going forward," said Tony Shiret of CSFB.

However, David Jones, chief executive, said he was "a lot happier" than he had been six months ago, when Next admitted that mistakes had been made in its ranges and stocks had contributed to a sales fall.

Sir Richard Evans, chairman, insisted that the Saab government would make up the shortfall, estimated by analysts at £500m-700m, with a cash payment before the end of the year. "Never in my many years of dealing with Al Yamamah has the customer failed to meet his commitments to make good any outstanding cash balances," he said.

The £3bn-plus annual payments from Al Yamamah include 600,000 barrels of oil per day, which are sold on BAe's behalf. The "timing variances" resulting from the falling oil prices meant that BAe's working capital requirements effectively shifted from a surplus of £145m in 1997 to a deficit of £515m for the six months to June 30.

Most analysts said there was no reason to suppose that BAe would not receive the top-up payments in good time.

The group's interim results, announced yesterday, showed a 24 per cent improvement in pre-tax profit before exceptional items to £244m.

Its sale of a 16 per cent stake in Orange, the telecoms group, and the disposal of its interest in Orion Network Services, a satellite communications business,

created an exceptional £401m gain which took pre-tax profits from £72.5m, compared to a £70m loss the year before.

The order book increased from £19.5bn to £23.8bn or the equivalent of three years' sales. Sir Richard said: "In today's economic conditions, for BAe to announce yet another record level of order book is a remarkable achievement."

Commercial aerospace, defence systems and support services would be BAe's three main growth areas, he said. The commercial division, which has lost BAe about £3bn this decade, came into the black, with an £8m profit before interest, contrasted to last year's £20m loss. Losses on regional jets partly offset higher profits from Airbus Industrie, in which BAe has a 20 per cent stake.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Baird & Hanniford	6 mths to June 30	3 (1.69)	0.011	(0.08)	0.051 (0.39)	-	-	-
Boyle Homes	6 mths to June 30	97.5 (111)	16.9 (14)	-	3.33 Nov 27	-	-	-
British Aerospace	6 mths to June 30+*	4,237 (3,871)	725 (701)	28.7 (41.1)	2.25 Nov 20	1.96	-	4.88
Cape	6 mths to June 30	115.4 (118.7)	4.8 (4)	6.1 (4.9)	3.25 Nov 13	5	-	6.5
Dolphin Packaging	6 mths to June 30	24.1 (21.7)	3.75 (3.2)	11.18 (9.53)	3.3 Nov 8	3	-	8.2
Dunlop Estate	6 mths to June 30	13.8 (6.4)	2.55 (0.45)	0.53† (0.44)	-	-	-	-
Falkirk	6 mths to June 30	18.9 (20.1)	1.5 (2.2)	3.11 (4.57)	0.81 Dec 1	0.753	-	-
Gear	6 mths to July 4*	262.1 (227.3)	12.7 (12.7)	13.3 (12.5)	4.8 Dec 31	4	-	2.02
Gold Club	6 mths to June 28	8.67 (8.67)	0.173 (0.248)	0.011† (0.59)	-	-	-	10
Herts Life +	6 mths to June 30	157 (323)	16.2 (16.2)	30.5 (20.4)	4.3 Oct 16	5.5	-	16.5
Holiday Inn	6 mths to June 30	251.7 (240)	33 (25)	13.4 (10)	2.65 Oct 16	2.35	-	6.5
Leeds Sporting	Yr to June 30+	22.5 (22.5)	0.52 (0.52)	0.24 (0.24)	-	-	-	-
MDS	6 mths to June 30	63 (65)	0.307† (0.301)	0.16 (0.22)	ml Nov 9	0.4	-	-
Morrisons (Wts)	6 mths to Aug 2	1,214 (1,124)	68.3 (61.7)	5.45† (4.96)	0.45 Nov 20	2.2	-	-
MTI Instruments	6 mths to June 30	22.4 (20.8)	2.74 (2.61)	9.3 (8.8)	2.5 Oct 20	2.3	-	5.5
Next	6 mths to July 31	538.2 (520.3)	50.2 (7.2)	9.8 (13.9)	6.5 Jan 2	8	-	18
Principals	6 mths to June 30	24.9 (30.2)	0.62† (0.733)	0.75 (0.79)	0.15 Nov 9	0.4	-	0.55
Quayle Marine	Yr to June 30	0.963 (1.09)	0.9754 (1.28)	20.36 (21.41)	8.4 Nov 10	21	-	12
RMC	6 mths to June 30*	2,132 (2,084)	112.2 (115.9)	26.3 (25.9)	8.5 Dec 1	8.2†	-	28
Sherwood	6 mths to June 28	72.6 (76.1)	3.18 (3.13)	1.3 (1.38)	1.3 Nov 26	1.3	-	3.8
Sig	6 mths to June 30	372.4 (372.4)	16.1 (14.7)	9.11 (8.6)	2.8 Nov 17	2.6	-	7.5
Titan Composers	Yr to May 31	147 (147)	1.21† (1.21)	6.1 (6.0)	17.9 Oct 30	4	-	-
Trinity	6 mths to June 28	174.3 (169)	32.8 (32.8)	17.9 (17.1)	4.4 Oct 30	4	-	13.2
Turpentine	6 mths to June 30	4.48 (4.31)	0.088† (0.086)	0.351† (0.43)	ml Oct 21	0.1	-	0.2
UCM	6 mths to June 30	22.2 (22.3)	2.11 (1.91)	5.3 (4.7)	1.9 Oct 21	1.8	-	5.5
Usher (Frank								

JULY 1998

EQUITIES

Greenspan dashes rate cut hopes

EUROPEAN OVERVIEW

By Philip Coggan,
Markets Editor

Disappointment that Alan Greenspan, the chairman of the US Federal Reserve, failed to indicate that a US interest rate reduction was imminent helped to send European stock markets into decline yesterday.

Adding to the dashed rate hopes was a significant profit warning from Alcatel, the French telecoms group, which prompted share prices in related companies across the continent.

The electronics sector of

the FTSE Eurotop 300 index, in which Alcatel is a leading component, fell 1.3 per cent with Alcatel dropping Ecu 54.20 to Ecu 88.78, Philips off Ecu 4.40 at Ecu 45.48 and Siemens down Ecu 5.60 at Ecu 51.57.

But electronics was not the worst sector of the day. That dubious honour belonged to information technology as SAP, the German software company, suffered a profits downgrade from a broker. It fell Ecu 71.80 to Ecu 422.55, while Cap Gemini dropped Ecu 14.90 to Ecu 122.48, as the sector tumbled 1.4 per cent.

The Alcatel warning heightened fears that European profit estimates for 1999 may be too high. The latest report from IBES, the information group, revealed that profits in France and Germany are expected to rise by 18 per cent over the next 12 months, with earnings expectations for Germany and Italy still being increased in August.

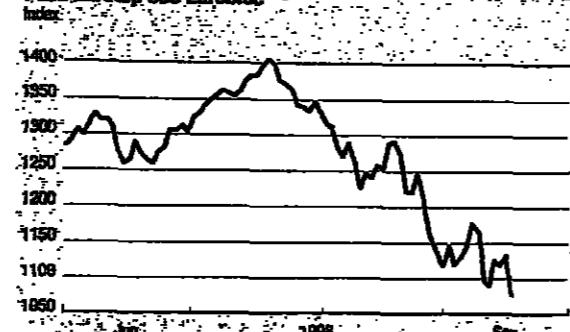
Some sectors did manage a gain on the day, but they were the defensive utilities stocks. Elsewhere, there was a pretty drastic sell-off which some analysts thought might have been related to today's derivatives expiries.

Banks took another hit, with the retail sector dropping 5.1 per cent, as investors fears about the industry's emerging market exposure returned. UBS dropped Ecu 18.20 to Ecu 256.64 and Dresdner Bank Ecu 2 to Ecu 35.99.

It was a bleak day for the trans-European indices. The FTSE Eurotop 100 index fell 104.11 or 4.2 per cent to 2,376.48 and the broader Eurotop 300 dipped 44.88 to 1,055.10.

The FTSE Ebloc 100 index, comprising stocks in the core countries planning to join the euro, declined 44.35 or 4.9 per cent to 854.15.

FTSE Eurotop 300 Exchange rates



M. THREE MONTH EURO FUTURES (FTFE) Ecu/m point of 100%

Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov -	85.915	+0.015	-	-	0	0
Mar -	85.505	+0.015	-	-	0	5219
Jun -	85.480	+0.025	-	-	0	1676
Sep -	85.460	+0.025	-	-	0	1333

M. THREE MONTH EURO OPTIONS (FTFO) Ecu/m point of 100%

Date	Open	Sett price	Change	High	Low	Est. vol	Open int.	Call 0 Put 0	Call 0 Put 0
Oct	85.915	0.120	0.000	85.915	0.120	0.000	0.165	0.000	0.000
Dec	85.625	0.010	0.000	85.625	0.010	0.000	0.165	0.000	0.000
Mar	85.505	-0.015	-0.000	85.505	-0.015	-0.000	0.165	0.000	0.000
Jun	85.480	-0.025	-0.000	85.480	-0.025	-0.000	0.165	0.000	0.000
Sep	85.460	-0.025	-0.000	85.460	-0.025	-0.000	0.165	0.000	0.000

M. FTSE EUROTOP 100 INDEX FUTURES (FTFF) Ecu/m per full index point

Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep 23.90	2380.0	-10.0	2425.0	2380.0	425	2419
Dec 244.0	2404.0	-6.0	2448.0	2403.0	433	3576
Mar -	2412.5	-10.0	-	-	0	117

M. FTSE EUROTOP 100 INDEX OPTION (FTFO) Ecu/m per index point

Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep 23.90	2380.0	-10.0	2425.0	2380.0	425	2419
Dec 244.0	2404.0	-6.0	2448.0	2403.0	433	3576
Mar -	2412.5	-10.0	-	-	0	117

OTHER INDICES

Index	Sep 17	Sep 18	Sep 19	1998	Since completion
DAX Stock 50	2,654.21	2,650.97	2,650.98	2,651.41	3,070.02
FTSE 100	4,205.47	4,205.21	4,205.21	4,205.22	4,205.22
MSCI Europe 50	1,107.17	1,107.52	1,107.52	1,107.50	1,107.50
S&P 500	1,074.20	1,074.20	1,074.20	1,074.20	1,074.20

Source: Deloitte & Touche. *Subject to revision next day. **ft** unadjusted.

Further information is available on <http://www.ft.com>. © FT International Limited 1998. All rights reserved. FTSE and MSCI are registered trademarks of the London Stock Exchange and The Financial Service Bureau respectively. MSCI is a service mark of MSCI Inc. Dow Jones is a service mark of Dow Jones & Company, Inc. Standard & Poor's is a service mark of The McGraw-Hill Companies, Inc. Source: Deloitte & Touche. *Subject to revision next day. **ft** unadjusted.

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INTERNATIONAL CAPITAL MARKETS

Prices rise strongly as equities fall

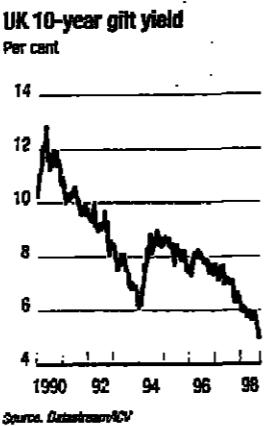
GOVERNMENT BONDS
 By Kaveen Merchant in London and John Labate in New York

Prices rallied strongly in Europe and the US yesterday as equities fell on the back of comments on Wednesday from Alan Greenspan, chairman of the US Federal Reserve, that appeared to rule out a cut in US interest rates in the short term.

In Europe, the flight from equities into bonds forced yields down sharply across core European economies.

US TREASURIES gained ground in early trading as equities plunged on renewed earnings and emerging market concerns.

By early afternoon, the benchmark 30-year bond had risen 1/2 to 104 1/2, sending the yield towards record lows at



5.87 per cent. Treasury bills fell but the 10-year note climbed 1/2 to 106 1/2, yielding 4.76 per cent, and the two-year note was up 1/4 to 100 1/2, yielding 4.63 per cent.

The market added to its sharp gains made on Wednesday after Mr Greenspan's testimony before Congress.

The Fed chairman's remarks did little to suggest that a rate cut would occur soon, but bond prices rose as the discussion turned to issues of global deflation.

Analysts said price movements in the Treasury market were mostly being influenced by changes in equity prices.

Important domestic US economic reports were released in the morning session.

The consumer price index

to have widened by a smaller than expected 2.1 per cent to \$13.5bn in July.

In UK GILTS, the December futures contract closed at 114.25, up 0.77. In the cash market, the yield on 10-year gilts touched a low of 5.0 per cent and the yield on the December 7 1/4 per cent 2007 bond fell to 4.97 per cent.

The FTSE 100 closed down 3 per cent, its fifth-biggest one-day points drop.

Gilts were also buoyed by slowing retail sales, which were in line with market forecasts and encouraged expectations of a cut in UK interest rates. Turnover on Liffe was 72,000 contracts. "This is more evidence of the UK slowing and of inflation being capped. There is potential for an easing of monetary policy," said

James Mitchell, senior strategist at Nomura.

In GERMAN BONDS, the December futures contract closed at 114.25, up 0.77. In the cash market, the yield on 10-year bund futures fell to 3.94 per cent, a post-war record, on turnover of 560,000 contracts.

The bund rally was strongly influenced by the IFO index of business sentiment.

That came in well below

market expectations under-

mining Bundeskredit suggestions

that the central bank would steer the economy through the current turmoil.

"The trends in individual

markets are being mani-

fested globally," said Mr Fishwick, international economist at Nikko Securities in London.

Dta launches dollar global

INTERNATIONAL BONDS

By Vincent Soland

As markets around the world continued to gyrate, the AAA rated international bond market provided one area of relative stability, continuing to see strong demand for top-quality paper in liquid issues.

Capitalising on that demand, Deutsche Ausgleichsbank (Dta) launched its first dollar global - a \$1bn, five-year issue priced to rest at 88 basis points over the comparable US Treasury.

The German state-owned development bank, comparable to KfW and backed by the triple-A sovereign rating, provides loans to small and medium enterprises.

Dta is already well-known among European investors

but had held roadshows in the US earlier this week with the aim of luring a wider investor base.

"This was a strategic issue to attract US investors," said a banker at Salomon Smith Barney, joint lead with Lehman Brothers.

The leads said 35-40 per cent of the issue was sold to US investors following meetings with Dta and individual investors during the roadshow. About 45-50 per cent went to traditional European investors, with the rest going to Asian buyers.

The bonds were launched early yesterday with price talk of 57 basis points, but by the time of pricing later in the day and the banks said a successful deal was possible at 88 basis points.

At that level the issue was

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Deutsche Ausgleichsbank	1bn	5.125	99.8819	Sep 2003	0.35%	+585bp/Aug03	Lehman/Salomon SB
BOHT 1998-1(I)*‡	850	5.11	100.00	Dec 2003	0.25	-	CSFB
World Bank (I)	200	5.76	102.6248	Feb 2008	0.32%	+425bp/May03	ABN Amro/Goldman
Bosch Overseas	60	5.25	100.1939	Nov 2001	0.32%	+525bp/May01	Arca/BK/CBC Bank
■ STERLING							
World Bank (I)	150	7.125	100.025	Jul 2007	0.20%	-	Warburg Dillon Read
Residential Mkt Secs 4(c)(3)	131	6.11	99.8231	Sep 2008	0.25%	+505bp/Cat03	Barclays Capital
European Inv'n Fund(s)	75	6.25	104.045	Dec 2008	0.32%	+685bp/Dec03	HSBC Markets
European Inv'n Fund(s)	75	6.008	107.522	Dec 2028	0.45%	+685bp/Dec03	Barclays Capital
■ YEN							
Nomura Global Funding	20bn	0.80%	99.37	Sep 2002	0.40	-	Nomura International
■ EURO(e)							
Nomura Global Funding	200	3.80%	99.37	Sep 2002	1.00	-	Nomura International
■ DANISH KRONE							
Tracisar Invest Int'l	400	5.00%	102.22	Dec 2004	1.875	-	Generale Bank
■ IRISH POUNDS							
Citra No 2, Class A/I‡	188	6.11	99.901	Aug 2030	0.19R	-	Warburg Dillon Read
■ GREEK DRACHMA							
GEC	100m	9.25	99.55P	Oct 2001	0.1975	-	TD Securities

Final terms, ppn-callable unless indicated. Yield spread (over relevant government bond) at launch quoted by lead manager. *Excludes 22nd Dec 1998 notes. **Excludes 1st March 2000 notes. †Excludes 22nd Dec 1998 notes. ‡Fungible with 32.8m. Plus 12 days accrued. Average life: 2.6 yrs. Callable from Sep 05 at par; c2d 3-month Libor +1bp to Sep 05, then +50bp; c2d Class B 15.5m and Class C of 22.1m were privately placed. d) Fungible with 270m. Plus 245 days accrued. e) Payments in Euro prior to Emu. f) Banc One/Heloc Trust. Secured on mortgages. Average life: 3.43 yrs. f) 1-month Libor +25bp; g) Fungible with E10bn Plus 165 days accrued. h) Celtic Residential Irish Mortgage Securitisation. Originator: First Actinic plc. Callable from Aug 05 at par; i) 3-month Libor +20bp to Aug 05, then +50bp; j) Class B of £12m priced on 2/9/98. k) Over-interpolated yield. l) Long 1st coupon. m) Short 1st coupon.

priced in line with existing Dta paper, which trades a little behind KfW mainly because of the latter's better name recognition.

Bankers said investors were increasingly prepared to get back into the market, but they were only buying triple-A paper.

"Investors have seen a big build-up of cash and are looking to come back in, but only for AAA rated and dollar issues," one said.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FPT500,000							
Open	Set price	Change	High	Low	Est. vol.	Open int.	
Sep 17	100.75	+0.05	102.05	100.55	137,581	105,767	
Dec 109.55	+0.65	-	110.23	109.55	-	-	

LONG TERM FRENCH BOND OPTIONS (MATIF)							
State	CALLS	PUTS	Open int.	Set price	Change	High	Low
Oct	Nov	Dec	Oct	100.75	-	-	-
105	6.25	6.25	-	-	-0.01	-	-
104	5.25	5.25	6.25	-	-	-0.02	-
105	4.25	4.25	4.28	-	-0.01	-0.05	-
106	3.25	3.28	3.37	-	-0.03	-0.14	-

Ex. val. int'd. Calls 0.73 Pts 0.25. Previous day's open int.: Calls 30,027 Pts 54,428.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%							
Open	Set price	Change	High	Low	Est. vol.	Open int.	
Mar 113.90	114.12	+0.52	114.30	113.90	402	5288	
Mar 112.79	+0.52	-	-	-	0	0	

NOTIONAL GERMAN BUND FUTURES (OTB) DM250,000 100ths of 100%							
Open	Set price	Change	High	Low	Est. vol.	Open int.	
Dec 113.71	113.95	+0.48	114.28	113.71	555,209	506,422	
Mar 114.20	114.30	+0.51	114.43	114.20	1,414		

JPX in Liso

OPTS
MKT
MARKET
BANCES

REVIEW OF THE
Sibnett refinances \$24
foreign short-term loan

Rate cut doubts ends US dollar rally

MARKETS REPORT

By Christopher Adams

The dollar resumed its recent slide yesterday as the US stock markets tumbled and expectations that the Federal Reserve would cut interest rates intensified.

Comments by Alan Greenspan, the Fed's chairman, that the world's leading central banks were not planning a concerted interest rate cut provided only temporary support for the dollar, which has fallen on expectations of an imminent rate reduction.

His remarks late on Wednesday initially lifted the dollar, but dealers were reading them differently yesterday.

"Greenspan has downplayed the chances of an immediate cut in US rates, but in highlighting the economic risks going forward he has held out the chances of an easing further down the line," said Paul Meggyesi

at Deutsche Bank in London.

"Rate cut expectations are liable to persist and will frustrate any tendency for the dollar to stage a meaningful recovery."

The market still believes that eventual US rate cuts will be forthcoming," said Rob Minikin, currency strategist at Citibank in London.

As the Russian rouble took another hammering and the Canadian dollar fell sharply, forcing the country's central bank to intervene, stock markets around the world were sinking.

Political wrangling in Japan over a rescue plan for the country's Long Term Credit Bank sparked a slide in equity prices across Europe and in the US, causing the dollar to slip from

POUND IN NEW YORK

Sep 17	Latest		Prev. close		Three months	One year	JP Mkt	Bank of
	Spot	2-pts	1 mth	3 mth				
Europe	1.6955	-0.0055	1.6972	1.6970	1.6955	1.6955	1.6955	1.6955
Australia	1.6953	-0.0055	1.6974	1.6969	1.6953	1.6953	1.6953	1.6953
Denmark	1.6924	-0.0131	1.6920	1.6919	1.6924	1.6924	1.6924	1.6924
Finland	1.6827	-0.0047	1.6840	1.6844	1.6827	1.6827	1.6827	1.6827
France	1.6784	-0.0053	1.6785	1.6785	1.6784	1.6784	1.6784	1.6784
Germany	1.6777	-0.0047	1.6780	1.6778	1.6777	1.6777	1.6777	1.6777
Greece	1.6777	-0.0047	1.6780	1.6778	1.6777	1.6777	1.6777	1.6777
Ireland	1.6753	-0.0109	1.6750	1.6750	1.6753	1.6753	1.6753	1.6753
Italy	1.6744	-0.0019	1.6744	1.6744	1.6744	1.6744	1.6744	1.6744
Luxembourg	1.6744	-0.0019	1.6744	1.6744	1.6744	1.6744	1.6744	1.6744
Netherlands	1.6744	-0.0019	1.6744	1.6744	1.6744	1.6744	1.6744	1.6744
Norway	1.6744	-0.0019	1.6744	1.6744	1.6744	1.6744	1.6744	1.6744
Portugal	1.6737	-0.0023	1.6735	1.6737	1.6737	1.6737	1.6737	1.6737
Spain	1.6707	-0.0023	1.6714	1.6714	1.6707	1.6707	1.6707	1.6707
Sweden	1.6748	-0.0045	1.6745	1.6745	1.6748	1.6748	1.6748	1.6748
UK	1.6737	-0.0051	1.6732	1.6732	1.6737	1.6737	1.6737	1.6737
Euro	1.6744	-0.0019	1.6744	1.6744	1.6744	1.6744	1.6744	1.6744
Swit	-	-	-	-	-	-	-	-

POUND SPOT FORWARD AGAINST THE POUND

Sep 17	Closing		Change		Broker	Spot	Day's old	Mid	Low	One month	Three months	One year	JP Mkt	Bank of	
	old	new	old	new											
Europe	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Australia	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Denmark	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Finland	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
France	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Germany	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Ireland	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Italy	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Spain	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Sweden	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
UK	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Euro	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Swit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 17	Closing		Change		Broker	Spot	Day's old	Mid	Low	One month	Three months	One year	JP Mkt	Bank of	
	old	new	old	new											
Europe	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Australia	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Denmark	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Finland	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
France	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Germany	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Ireland	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Italy	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Spain	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Sweden	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
UK	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Euro	1.6744	1.6744	-0.0019	-0.0019	-	-	-	-	-	-	-	-	-	-	-
Swit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 17	BFR		DM		FFR		IE		L		Ft		HUF		SEK</	

CAO 魔芋胶

EU pressed to abolish milk quotas

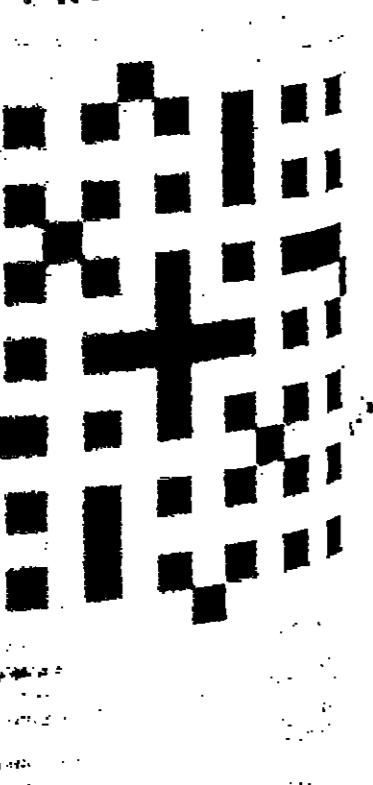
● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on 0845 1721 023 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA
(PSA RECOGNISES)

& Front St., Hamilton, H.M.V.
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GUERNSEY
(FA RECOGNISE)



Versach Pipe Clean Rd.

FT MANAGED FUNDS SERVICE

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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LONDON STOCK EXCHANGE

Equities retreat as Greenspan speech disappoints

MARKET REPORT
By Steve Thompson,
UK Stock Market Editor

The three-day rally in London's equity market was brought to an abrupt halt yesterday, with stock prices diving and wiping out almost all the gains so carefully garnered in the previous three sessions.

The damage to the market's still-frail confidence came from general disappointment that Alan Greenspan, chairman of the US Federal Reserve, did not make any reference to the

possibility of a reduction in US interest rates in his speech on Wednesday.

And his statement that there was, at present, no plan to co-ordinate interest rate cuts, was taken badly by Asian and European stock markets.

London's performance,

although dire, was by no

means as bad as its Euro-

pean counterparts. Frankfurt and Paris dropped

around 5 per cent, the latter

hampered by a shock profits

warning from Alcatel.

A series of poor results and profit warnings from a number of leading companies was another factor

behind a general rout in the UK stock market. Those disappointing numbers andarnings added to the growing view among analysts that the corporate earnings outlook for this year and next is deteriorating by the day.

And stockbrokers also pointed out that the weakness in the market is "killing off primary business", as one put it. "Much of the corporate activity so painstakingly planned in recent months, is being pulled."

Dealers also took the view

that this morning's dual expiry of the FTSE future and index options might well bring further excessive pressures to bear on market sentiment.

The extent of the self-off tools many dealers by surprise with many noting that Wall Street had plenty of time on Wednesday evening to digest Mr Greenspan's comments.

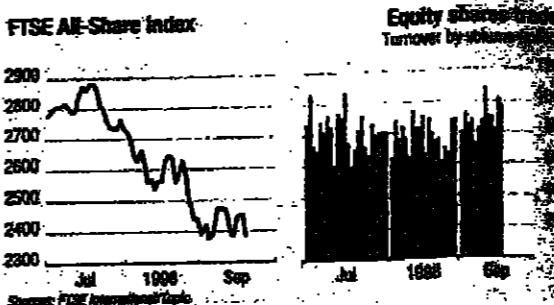
Rather, they said, it was the threat of a spread of the Asian/Russian crises to Latin America that prompted much of the weakness in global markets.

Turnover in equities was 979.3m shares by the spin

count, of which 53 per cent was in non-Footsie stocks.

The losers list was headed by British Aerospace, whose share price was crippled by cashflow concerns rather than perfectly acceptable interim results.

Turnover in equities was 979.3m shares by the spin



Showed FTSE All-Share Index

Source: FTSE International Ltd.

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Indices and ratios

FTSE 100	5132.9	-154.3	FT 30	3152.9	-114.1
FTSE 250	4567.2	-71.4	FTSE Non-Fins plc	202.8	-20.4
FTSE 350	2460.1	-69.1	FTSE 100/Fut Sep	5179.0	-92.0
FTSE All-Shares	2386.94	-84.72	TD 10 Yr Gvt yield	5.85	-0.05
FTSE All-Shares yield	3.22	3.21	Long giltfrd yld rate	7.62	-1.02

Best performing sectors

1 Gas Distribution	+1.09
2 Insurance	+0.41
3 Electricity	+0.29
4 Water	+0.28
5 Tobacco	+0.24

Worst performing sectors

1 Food Producers	-1.03
2 Insurance	-0.87
3 Retailers Food	-0.85
4 Breweries, Pubs & Restaurants	-0.83
5 Electronic & Electrical	-0.83

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (Liffe £10 per full index point)

	Open	Sett price	Change	High	Low	Ext. val	Open int.
Sep	5240.0	5120.0	-162.0	5044.0	5098.0	5406.0	5231
Oct	5320.0	5200.0	-171.0	5323.0	5168.0	4546.0	170405
Nov	-	-	-	-	-	-	1941
Dec	-	-	-	-	-	-	0

■ FTSE 250 INDEX FUTURES (Liffe £10 per full index point)

	Open	Sett price	Change	High	Low	Ext. val	Open int.
Sep	-	-	-	-	-	-	656
Oct	-	-	-	-	-	-	7091
Nov	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

■ FTSE 100 INDEX OPTION (Liffe £10 per full index point)

	Open	Sett price	Change	High	Low	Ext. val	Open int.
Sep	4660.0	5000.0	5000.0	5100.0	5000.0	5250.0	5250.0
Oct	5120.0	5000.0	-120.0	5044.0	5098.0	5406.0	5231
Nov	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

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Sep	4670.0	5000.0	5000.0	5100.0	5000.0	5250.0	5250.0
Oct	5120.0	5000.0	-120.0	5044.0	5098.0	5406.0	5231
Nov	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

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Dec	-	-	-	-	-	-	-

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Dec	-	-	-	-	-	-	-

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Nov	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

■ FTSE 250 INDEX OPTION (Liffe £10 per full index point)

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the IFC investable indices. The FT/S&P Actuaries World Indices are calculated by the Institute of Actuaries of the United Kingdom and the Faculty of Actuaries of Scotland. © 1998 FTSE International Limited.

The World Index (444) 284.44 0.8 233.94 225.49 222.59 239.76 0.8 1.85 262.99 232.97 220.69 230.86 237.96 306.56 241.30 257.70

GLOBAL EQUITY MARKETS

US INDICES												US DATA												Dow Jones												JAPAN												FRANCE																							
Dow Jones	Sep 16	Sep 15	Sep 14	High	Low	1998	Since compilation	MARKET ACTIVITY												Dow Jones	Sep 17	Sep 16	Sep 15	1998	Since compilation	Dow Jones	Sep 17	Sep 16	Sep 15	1998	Since compilation	Dow Jones	Sep 17	Sep 16	Sep 15	1998	Since compilation																																		
Industrials	8093.78	8024.38	7945.35	9337.97	7539.07	9332.97	41.22	MARKET ACTIVITY												NYSE	Sep 16	Sep 15	Sep 14	1998	Since compilation	NYSE	Sep 17	Sep 16	Sep 15	1998	Since compilation	NYSE	Sep 17	Sep 16	Sep 15	1998	Since compilation																																		
Home Bonds	105.71	105.53	105.63	105.95	104.42	105.95	54.98	MARKET ACTIVITY												Issues Traded	1,322	1,323	1,333	1998	Since compilation	Issues Traded	1958.25	1958.14	1958.14	1998	Since compilation	Issues Traded	340.40	352.38	372.32	1998	Since compilation																																		
Transport	2884.13	2863.70	2805.14	2891.02	2816.75	2865.02	13.23	MARKET ACTIVITY												Resales	1,044	1,044	1,045	1998	Since compilation	Resales	1,050.08	1,050.08	1,050.08	1998	Since compilation	Resales	352.40	352.50	352.50	1998	Since compilation																																		
Utilities	283.66	280.95	287.04	285.64	282.66	286.40	16.53	MARKET ACTIVITY												New Highs	151	151	152	1998	Since compilation	New Highs	151	151	152	1998	Since compilation	New Highs	352.54	352.54	352.54	1998	Since compilation																																		
DJ Ind. Div's right	8169.30	8067.21	Low	7823.48	PB0130	(PB0130)	(PB0130)	MARKET ACTIVITY												Falls	1,204	1,200	1,001	1998	Since compilation	Falls	1,204	1,200	1,001	1998	Since compilation	Falls	352.54	352.54	352.54	1998	Since compilation																																		
Standard and Poor's Composite	1045.48	1037.58	1022.72	1085.75	927.69	1108.25	4.40	MARKET ACTIVITY												Up's	12,278,000	718	-1	1998	Since compilation	Up's	12,278,000	718	-1	1998	Since compilation	Up's	352.54	352.54	352.54	1998	Since compilation																																		
Industrials	1230.44	1234.18	1228.88	1300.48	1077.48	1300.48	3.52	MARKET ACTIVITY												Index	28,098	24,981	27,488	1998	Since compilation	Index	28,098	24,981	27,488	1998	Since compilation	Index	352.54	352.54	352.54	1998	Since compilation																																		
Finance	115.72	113.12	110.74	147.29	102.26	147.29	7.13	MARKET ACTIVITY												Volume	720,729	807,443	883,785	1998	Since compilation	Volume	720,729	807,443	883,785	1998	Since compilation	Volume	352.54	352.54	352.54	1998	Since compilation																																		
Others	518.05	513.92	510.21	800.25	480.80	800.75	4.54	MARKET ACTIVITY												Aero-V	325	-74	-17.8	1998	Since compilation	Aero-V	325	-74	-17.8	1998	Since compilation	Aero-V	352.54	352.54	352.54	1998	Since compilation																																		
NYSE Comp.	829.13	824.28	819.30	763.87	565.07	763.87	524.20	MARKET ACTIVITY												Techno	7,594,000	430	+1	1998	Since compilation	Techno	7,594,000	430	+1	1998	Since compilation	Techno	352.54	352.54	352.54	1998	Since compilation																																		
NASDAQ Comp.	1688.91	1678.11	1655.89	2014.25	1499.22	2014.25	54.87	MARKET ACTIVITY												Volume	720,729	807,443	883,785	1998	Since compilation	Volume	720,729	807,443	883,785	1998	Since compilation	Volume	352.54	352.54	352.54	1998	Since compilation																																		
Bond 2000	359.65	357.73	357.72	481.41	327.95	481.41	12.33	MARKET ACTIVITY												Volume	720,729	807,443	883,785	1998	Since compilation	Volume	720,729	807,443	883,785	1998	Since compilation	Volume	352.54	352.54	352.54	1998	Since compilation																																		
RATIOS												MARKET ACTIVITY												MARKET ACTIVITY												MARKET ACTIVITY												MARKET ACTIVITY																							
Dow Jones Ind. Div. Yield	Sep '13	Sep 4	Aug 28	Year ago	1.91	1.85	1.84	1.89	MARKET ACTIVITY												Up's	21,048,000	471	+1	1998	Since compilation	Up's	21,048,000	471	+1	1998	Since compilation	Up's	352.54	352.54	352.54	1998	Since compilation																																	
S & P Ind. Div. yield	Sep 18	Sep 8	Sep 2	Year ago	1.40	1.43	1.47	1.50	MARKET ACTIVITY												Resales	19,843,400	604	+6	1998	Since compilation	Resales	19,843,400	604	+6	1998	Since compilation	Resales	352.54	352.54	352.54	1998	Since compilation																																	
S & P Ind. P/E ratio	30.41	29.54	28.84	25.37	11.40	29.54	25.37	MARKET ACTIVITY												Resales	14,849,200	649	+4	1998	Since compilation	Resales	14,849,200	649	+4	1998	Since compilation	Resales	352.54	352.54	352.54	1998	Since compilation																																		
INDEX FUTURES												INDEX FUTURES												INDEX FUTURES												INDEX FUTURES																																			
S&P 500												Open												Latest												Change												High												Low											
Sep 16	1058.00	1034.00	-13.70	1059.00	1031.20	45,975	109,837	Open												Est. vol.	3725.0	3337.0	-200.0	1998	Since compilation	Est. vol.	3725.0	3337.0	-200.0	1998	Since compilation	Est. vol.	604.00	584.50	-33.00	1998	Since compilation	Est. vol.	604.00	584.50	-33.00	1998	Since compilation	Est. vol.	352.54	352.54	352.54	1998	Since compilation																						
Sep 15	-	-	+9.50	1058.00	1051.57	-	-	Set price												Change	3694.5	3565.5	-201.0	1998	Since compilation	Change	3694.5	3565.5	-201.0	1998	Since compilation	Change	602.00	588.00	-32.75	1998	Since compilation	Change	602.00	588.00	-32.75	1998	Since compilation	Change	352.54	352.54	352.54	1998	Since compilation																						
Sep 14	1413.00	1380.00	-270.0	1422.00	1369.00	29,558	105,481	Close												Low	4826.0	4627.0	-253.0	1998	Since compilation	Low	4826.0	4627.0	-253.0	1998	Since compilation	Low	6701.0	6435.0	-285.4	1998	Since compilation	Low	6701.0	6435.0	-285.4	1998	Since compilation	Low	352.54	352.54	352.54	1998	Since compilation																						
Sep 13	1415.00	1380.																																																																					

* See Sep 12: Taiwan Weighted Price Index; \$/m³: Korea Corp Ex 120.33, Malaysia, €/Tonnes 100 Closed, \$/d Barrels 7. XETRA-DAX index-basis index: Sep 17 4092.01 - 3415.1 Correction. * Calculating at 15.00 GMT. © Excluding banks. † Industrial, plus Utilities, Financial and Transportation. ‡ The DJI Industrials' daily high and low are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest prices reached during the day. When forward or backward price movements occur, no extremes apply. All indices are official constituents of the Dow Jones and S&P ratios are based on Dow Jones Total Market Indices & MSCI ratios.

THE NASDAQ STOCK MARKET

STOCK MARKETS

Fading rate hopes trigger global sell-off

WORLD OVERVIEW

Global equity markets turned tail yesterday, knee-jerked into a widespread selling binge by the collapse of hopes for declining world interest rates, writes Jeffrey Brown.

Alan Greenspan, chairman of the US Federal Reserve, said on Wednesday: "At the moment there is no endeavour to co-ordinate interest rate cuts." It was precisely what equity markets had not

wanted to hear. Asia set the bears running with Toyko sliding 2.4 per cent and Hong Kong off 3.6 per cent.

By the time European markets got underway the evil eye was firmly in place and investors were switching heavily into debt markets.

The trend was given added rapid momentum by a profit warning from Alcatel, the French telecoms equipment maker, which announced at the opening that its core

markets were under pressure. In Paris from then on it was every man for himself, with shares sliding precipitously, setting alarm bells ringing across Europe.

With their respective bond markets pushing determinedly higher and Wall Street opening with heavy declines, Paris ended 5.5 per cent lower and Frankfurt 5 per cent.

The shakeout at Alcatel spilled over across the globe's telecommunications sector

with even more dramatic effect.

Telecoms shares, both operators and equipment makers, have been strong relative performers this year, buoyed by the conviction that earnings were supported by the growth of data communications and mobile telephone demand.

Although the telecoms utilities were inevitably caught up in yesterday's downturn, it was the equipment makers, like Ericsson

and Nokia, that took the heaviest knocks.

Moreover, one of the more obvious trends within the wave of selling of equities generally was that investors were heavily targeting manufacturing industry. The main worry appeared to be that demand was drying up and money costs - to judge by Mr Greenspan - were not coming down quickly enough.

Against this background, most equity strategists were

waiting for the dust to settle, but yesterday some were pushing home recent points. J.P. Morgan, for example, has for some time seen shares as attractive relative to bonds, a theory that the latest equity fallout will have sharpened.

Although some allowance should be made for easing profits and over-bought positions in bonds, the broker suggests that equities are 30 per cent cheaper relative to bonds.

EMERGING MARKET FOCUS

Mexico holiday ends in hangover

Mexicans returned from Independence Day celebrations yesterday to find a new thundercloud hanging over their financial markets.

Shockwaves again rippled up from the battered Brazilian stock market following Wednesday's comments from US policymakers suggesting there was no co-ordinated effort to cut global interest rates, nor the likelihood of any immediate bail-out of Brazil by the International Monetary Fund.

That put an immediate halt to the stunning three-day rebound Mexico enjoyed before its markets closed for the September 16 holiday.

"The rally was purely based on the potential IMF package for Brazil, which proved to be unfounded in the sense that there's nothing concrete," said Paul Daniel, an equity salesman at BBV Securities in London.

Yesterday, Mexico's IPC index fell sharply, losing some of the 13 per cent gains it notched up on Tuesday.

The peso slipped and rates on short-term Treasury bills - which on Tuesday reached their highest level since December 1995 - rose again.

In dollar terms, the stock market was 50 per cent off its level at the start of the year, and the peso was down 13.5 per cent against the US currency since mid-August.

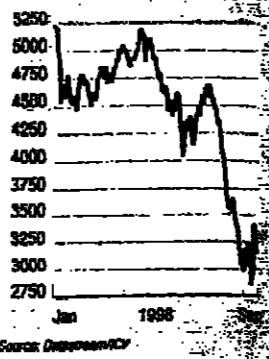
The main factor was Brazil, caught by the same stampede of foreign investors out of large emerging markets that caused devaluations in Russia and south-east Asia. In times of trouble, investors in Latin America tend to lump all the region's markets together and sell.

Some economists believed Mexico should remain above the fray because of its proximity to the US and structural reforms after its own 1994 devaluation. In a sign of austerity, it had a fiscal surplus in the first six months of the year, despite oil revenues down at 10-year lows.

"Mexico is being extremely

Mexico

IPC index



Source: Bloomberg

Selling spree puts cap on Dow rebound

AMERICAS

US shares were hit by a flood of selling from the opening bell, which sent the Dow Jones Industrial Average down more than 200 points in the first 20 minutes of trading, writes John Labate in New York.

"I think we're just being bombarded with negative earnings news left and right," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut. "I don't see that ending anytime soon."

Weakness in Latin American markets and Mr Alan Greenspan's recent congressional testimony, in which he did not suggest the Federal Reserve's outlook on interest rates had changed, were seen as major factors contributing to the market's tone.

The sell-off was widespread, reversing four days of solid gains for prices. By early afternoon the Dow Jones Industrial Average was down 12.84 or 2.4 per cent at 7,896.94, while the Standard & Poor's 500 fell 24.93 to 1020.50. Declining issues led advancing ones by a margin of more than 4 to 1 in New York.

Telecoms came under pressure after Alcatel of France issued a profits warning. ADT shares of the company tumbled 38 per cent to \$14.94. AT&T was off \$1.4 at \$57.4.

Gillette, the consumer products company, which recently issued its own warning, plunged 3.3% or more than 7 per cent to \$36.3 after Goldman Sachs and

Merrill Lynch cut their earnings estimates.

Among Dow component shares, Travelers lost 5 per cent to \$40.76 while Procter & Gamble fell 3.2% at \$67.4.

Technology and small-cap shares gave ground as well, sending the Nasdaq composite tumbling 39.57 or 2.3 per cent at 1,650.34. The Russell 2000 index fell 6.78 to 353.06.

Shares of Rubertsham plunged more than 6 per cent or 1.1% to \$23.4 after CIBC Oppenheimer scaled back its earnings view.

Among widely held high-tech shares, Cisco Systems lost 2.4% to \$62.4 and software leader Microsoft lost \$2.4 at \$105.4.

TORONTO fell 2.2 per cent at midsession as the Canadian dollar continued its fall after prime minister Jean Chretien called for a cut in US and Canadian central bank rates for the sake of the global economy.

By midday, the TSE-300 composite index was 129.15 lower at 5,776.90 in volume of 28.5m shares.

Among individual stocks, Bank of Montreal lost C\$2.35 or C\$55.49 after announcing C\$80m of after-tax losses in junk bond trading since August.

Northern Telecom lost C\$4.80 to C\$64 on general weakness in telecommunications and high-tech stocks.

Analysts said the sectors were hurt by Tuesday's announcement from Nortel that it would cut 4 per cent of its global staff, which suggested the company had overextended itself in recent acquisitions.

The sellers continued to target the hard-pressed banking sector. CCF lost FF734.9 or 8.5 per cent at FF734.5 and Societe Generale shed FF734 at FF772.

Oils were a rare defensive play. Total, tracking another gain from oil prices, added FF16 at FF766.

FRANKFURT was sharply lower as diminishing hopes

EUROPE

Telecoms shares fell steeply after a profit warning from French manufacturer Alcatel. The group announced it was facing problems in core markets and ended a dramatic day with a decline of 38.4 per cent or FF736 at a record low of FF571.

Frantic selling pushed Alcatel down to FF7523 at one stage, causing trading to be suspended three times. By the close, turnover in the stock was a record FF15.6bn, more than a quarter of total market turnover.

The reverberations were felt Europe-wide among telecom equipment manufacturers. Germany's Siemens dropped DM10.75 (or 9.6 per cent) to DM101.50. Philips, the Dutch giant, lost FI9.70 (8.8 per cent) to FI100.70, Finland's Nokia fell FM34 (7.7 per cent) to FM410. Sweden's Ericsson tumbled SKR14.50 (9.1 per cent) to SKR14 and Spain's Amper lost Pta190 (7.1 per cent) to Pta250.

Network operators were also hit. France Telecom fell FF34.80 to FF245, Deutsche Telekom lost 75 pfg to DM52, Telefonica of Spain gave up Pta210 to Pta5,170 and Portugal's Emissao FM320 to FM31.50.

PARIS ended 20.4 lower at 3,525.26 on the CAC 40 index after reaching a low of 3,497.70 during the day. Despite this bounce off the bottom, the market remained deeply troubled with manufacturing industry taking most of the pain.

Schneider and Lagardere both fell more than 10 per cent, tumbling FF39.90 to FF7285 and FF723 to FF792. Renault came off FF22.80 or 8.5 per cent at FF245.20, Cap Gemini FF197 to FF1813 and STMicroelectronics FF27 at FF313.

The sellers continued to target the hard-pressed banking sector. CCF lost FF34.9 or 8.5 per cent at FF734.5 and Societe Generale shed FF734 at FF772.

Oils were a rare defensive play. Total, tracking another gain from oil prices, added FF16 at FF766.

AMSTERDAM saw declines of more than 6 per cent on the way, tumbled another DM138 or 14.3 per cent to DM839 as Bank Julius Baer downgraded the stock on the view that second-half results were likely to be worse than first-half figures. The bank said the shares would have "fair value" around DM550-DM550.

SGS Carbon crashed DM36.20 or 24 per cent to DM14.60 after denying rumours that DM10m of provisions set aside for a US anti-trust investigation were insufficient.

ZURICH featured a 10.8 per cent drop in CS Group amid rumours the bank might have an exposure of several hundred million dollars in the US-based Westbridge Capital, which has filed for Chapter 11. CS, which said later its exposure was less than \$20m, fell SF22.50 to a new low for the year of SF185.50. The SMI index fell SF134 to 6,405.2.

Bankers and brokers

had rallied on privatisation and merger expectations, were hit by heavy profit-taking. BNL lost L302 to L320 while Banco di Napoli declined L149 to L230.

THE DAY'S CHANGES

% Change

	% Change
Heinkel	-5.5
Paris	-5.5
Milan	-5.2
Oslo	-5.2
Frankfurt	-5.0
Zurich	-4.7
Madrid	-4.2
Stockholm	-3.9
Amsterdam	-3.9

on the way, tumbled another DM138 or 14.3 per cent to DM839 as Bank Julius Baer downgraded the stock on the view that second-half results were likely to be worse than first-half figures. The bank said the shares would have "fair value" around DM550-DM550.

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Bankers and brokers

had rallied on privatisation and merger expectations, were hit by heavy profit-taking. BNL lost L302 to L320 while Banco di Napoli declined L149 to L230.

The composite index finished 7.49 or 1.8 per cent lower at 386.35.

BANGKOK edged ahead after an active day for selected bank shares amid talk of foreign alliances.

Bank of Asia rose BT10 to BT12, Thai Danai Bank BT1 to BT7.50 and Nakornthai Bank BT0.90 or 25.7 per cent to BT4.0. The SET index ended 1.35 higher at 220.05.

JAKARTA was hit by worries about rising bad debts in south-east Asia and concerns about a slowdown in the global economy.

Heightened speculation that the Indonesian government could tighten the rupiah regime prompted sell orders by overseas investors.

The Merval index, which fell a low of 352.06, was 16.26 or 4.4 per cent down at 352.4.

Real estate group IRSA led the tumble with a fall of 10 per cent to 1.87 pesos.

SANTIAGO held its fall to 2 per cent in spite of the central bank's move to raise its interbank lending rate after the market closed on Wednesday. The DPA index fell 1.25 per cent to 1,018.18 at 13,859.14.

Telebras fell 5.3 per cent to R\$75.20, while Petrobras came off 1.25 per cent to R\$118. Eletrobras fell 10.6 per cent to R\$23.25.

São Paulo leads fallers

Latin American markets were in full downward flight in early trading, hit by worries about interest rates.

SÃO PAULO plunged from the opening bell. With shares down 10 per cent after the first 30 minutes of trading, the authorities halted proceedings.

When trading resumed there were signs of a modest recovery, but at midsession the benchmark Bovespa index was still down 540 or 8 per cent at 6,220.

Telebras fell 5.3 per cent to R\$75.20, while Petrobras

came off 1.25 per cent to R\$118. Eletrobras fell 10.6 per cent to R\$23.25.

HONG KONG took its lead from HSBC as the banking sector was unclear. Shares in LTCB, which is at the centre of the political debate, slid Y3 to close at Y22. Fuji Bank, which is believed to be suffering from heavy losses from derivatives trading, fell Y12 to Y32. Sakura Bank was down Y4 to Y27.

The Topix index of all first-sector stocks fell 1.7 per cent or 18.44 to 1,069.06. Turnover remained weak at 410m shares. In Osaka, the OSE lost 194 at 14,714.

In equities trading, nearly every sector posted losses, with paper and pulp falling 3.5 per cent. Banks fell 1.7 per cent, and securities stocks lost 3.2 per cent amid renewed concern about the financial sector.

The market's momentum was strongly negative, with 912 shares closing down compared with 239 ahead. During the day, the benchmark Nikkei 225 fluctuated between 13,784.07 and 14,278.77.

Politicians appeared closer to compromise on a bill to tackle the banks' huge bad loan problem, but the fate of

HSBC was still uncertain.

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